

V F CORP
Form 10-Q
August 08, 2012
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2012

Commission file number: 1-5256

V. F. CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

105 Corporate Center Boulevard

23-1180120
(I.R.S. employer
identification number)

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Greensboro, North Carolina 27408

(Address of principal executive offices)

(336) 424-6000

(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 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 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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

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

On July 28, 2012, there were 109,898,532 shares of the registrant's Common Stock outstanding.

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VF CORPORATION

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Table of Contents**Part I Financial Information****Item 1 Financial Statements (Unaudited)****VF CORPORATION****Consolidated Balance Sheets****(Unaudited)****(In thousands, except share amounts)**

| | June 2012 | December 2011 | June 2011 |
|--|----------------------|--------------------------|----------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and equivalents | \$ 330,512 | \$ 341,228 | \$ 611,478 |
| Accounts receivable, less allowance for doubtful accounts of: June 2012 - \$49,653; Dec. 2011 - \$54,010; June 2011 - \$47,918 | 1,033,835 | 1,120,246 | 889,201 |
| Inventories: | | | |
| Finished products | 1,305,605 | 1,197,928 | 1,029,936 |
| Work in process | 103,179 | 86,902 | 92,146 |
| Materials and supplies | 161,514 | 168,815 | 163,868 |
| | 1,570,298 | 1,453,645 | 1,285,950 |
| Other current assets | 405,164 | 272,825 | 259,279 |
| Total current assets | 3,339,809 | 3,187,944 | 3,045,908 |
| Property, Plant and Equipment | | | |
| | 1,852,871 | 1,830,039 | 1,712,742 |
| Less accumulated depreciation | 1,117,044 | 1,092,588 | 1,086,471 |
| | 735,827 | 737,451 | 626,271 |
| Intangible Assets | | | |
| | 2,928,311 | 2,958,463 | 1,555,517 |
| Goodwill | | | |
| | 1,996,355 | 2,023,460 | 1,194,342 |
| Other Assets | | | |
| | 425,767 | 405,808 | 378,408 |
| Total assets | \$ 9,426,069 | \$ 9,313,126 | \$ 6,800,446 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | |
| Current Liabilities | | | |
| Short-term borrowings | \$ 681,835 | \$ 281,686 | \$ 42,567 |
| Current portion of long-term debt | 2,801 | 2,744 | 2,693 |
| Accounts payable | 506,742 | 637,116 | 456,114 |
| Accrued liabilities | 576,661 | 744,486 | 512,540 |
| Total current liabilities | 1,768,039 | 1,666,032 | 1,013,914 |
| Long-term Debt | | | |
| | 1,830,473 | 1,831,781 | 934,600 |
| Other Liabilities | | | |
| | 1,303,505 | 1,290,138 | 581,394 |
| Commitments and Contingencies | | | |
| Stockholders Equity | | | |
| Common stock, stated value \$1; shares authorized, 300,000,000; shares outstanding: June 2012 - 109,438,153; Dec. 2011 - 110,556,981; June 2011 - 109,597,701 | 109,438 | 110,557 | 109,598 |

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| | | | |
|---|--------------|--------------|--------------|
| Additional paid-in capital | 2,421,564 | 2,316,107 | 2,221,135 |
| Accumulated other comprehensive income (loss) | (416,386) | (421,477) | (179,783) |
| Retained earnings | 2,409,436 | 2,520,804 | 2,118,343 |
| Total equity attributable to VF Corporation | 4,524,052 | 4,525,991 | 4,269,293 |
| Noncontrolling interests | | (816) | 1,245 |
| Total stockholders' equity | 4,524,052 | 4,525,175 | 4,270,538 |
| Total liabilities and stockholders' equity | \$ 9,426,069 | \$ 9,313,126 | \$ 6,800,446 |

See notes to consolidated financial statements.

Table of Contents**VF CORPORATION****Consolidated Statements of Income****(Unaudited)****(In thousands, except per share amounts)**

| | Three Months Ended June | | Six Months Ended June | |
|---|--------------------------------|--------------|------------------------------|--------------|
| | 2012 | 2011 | 2012 | 2011 |
| Net Sales | \$ 2,115,629 | \$ 1,821,218 | \$ 4,643,046 | \$ 3,758,342 |
| Royalty Income | 26,157 | 18,905 | 55,195 | 40,580 |
| Total Revenues | 2,141,786 | 1,840,123 | 4,698,241 | 3,798,922 |
| Costs and Operating Expenses | | | | |
| Cost of goods sold | 1,155,412 | 994,591 | 2,544,278 | 2,028,447 |
| Marketing, administrative and general expenses | 822,389 | 656,861 | 1,675,876 | 1,307,161 |
| | 1,977,801 | 1,651,452 | 4,220,154 | 3,335,608 |
| Operating Income | 163,985 | 188,671 | 478,087 | 463,314 |
| Other Income (Expense) | | | | |
| Interest income | 1,188 | 1,510 | 2,226 | 2,476 |
| Interest expense | (23,593) | (15,962) | (46,938) | (31,902) |
| Miscellaneous, net | 41,557 | (2,735) | 43,303 | (4,666) |
| | 19,152 | (17,187) | (1,409) | (34,092) |
| Income Before Income Taxes | 183,137 | 171,484 | 476,678 | 429,222 |
| Income Taxes | 27,712 | 41,917 | 106,026 | 98,235 |
| Net Income | 155,425 | 129,567 | 370,652 | 330,987 |
| Net Income Attributable to Noncontrolling Interests | (128) | (199) | (139) | (916) |
| Net Income Attributable to VF Corporation | \$ 155,297 | \$ 129,368 | \$ 370,513 | \$ 330,071 |
| Earnings Per Common Share Attributable to VF Corporation Common Stockholders | | | | |
| Basic | \$ 1.42 | \$ 1.19 | \$ 3.37 | \$ 3.04 |
| Diluted | 1.40 | 1.17 | 3.31 | 2.99 |
| Cash Dividends Per Common Share | \$ 0.72 | \$ 0.63 | \$ 1.44 | \$ 1.26 |

See notes to consolidated financial statements.

Table of Contents**VF CORPORATION****Consolidated Statements of Comprehensive Income****(Unaudited)****(In thousands)**

| | Three Months Ended June | | Six Months Ended June | |
|--|--------------------------------|-------------|------------------------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| Net Income | \$ 155,425 | \$ 129,567 | \$ 370,652 | \$ 330,987 |
| Other Comprehensive Income (Loss): | | | | |
| Foreign currency translation | | | | |
| Gains (losses) arising during the period | (79,722) | 33,583 | (30,228) | 130,278 |
| Less income tax effect | 11,956 | (4,170) | 134 | (23,829) |
| Reclassification to Net Income for (gains) losses realized | | (11,995) | | (11,995) |
| Less income tax effect | | 4,134 | | 4,134 |
| Defined benefit pension plans | | | | |
| Amortization of net deferred actuarial losses | 17,621 | 10,779 | 35,239 | 21,543 |
| Amortization of deferred prior service cost | 838 | 864 | 1,677 | 1,727 |
| Less income tax effect | (7,350) | (4,585) | (14,307) | (8,766) |
| Derivative financial instruments | | | | |
| Gains (losses) arising during the period | 26,386 | (8,382) | 18,675 | (34,552) |
| Less income tax effect | (10,185) | 3,232 | (7,213) | 13,312 |
| Reclassification to Net Income for (gains) losses realized | 2,575 | 293 | 3,135 | (2,617) |
| Less income tax effect | (991) | (114) | (1,207) | 1,010 |
| Marketable securities | | | | |
| Gains (losses) arising during the period | (535) | (1,215) | (814) | (2,040) |
| Less income tax effect | | (4) | | (4) |
| Reclassification to Net Income for (gains) losses recognized | | | | 847 |
| Less income tax effect | | | | (237) |
| Other comprehensive income (loss) | (39,407) | 22,420 | 5,091 | 88,811 |
| Foreign currency translation gains (losses) attributable to noncontrolling interests | | 106 | | 229 |
| Other comprehensive income (loss) including noncontrolling interests | (39,407) | 22,526 | 5,091 | 89,040 |
| Comprehensive Income | 116,018 | 152,093 | 375,743 | 420,027 |
| Comprehensive Income Attributable to Noncontrolling Interests | (128) | (305) | (139) | (1,145) |
| Comprehensive Income Attributable to VF Corporation | \$ 115,890 | \$ 151,788 | \$ 375,604 | \$ 418,882 |

See notes to consolidated financial statements.

Table of Contents**VF CORPORATION****Consolidated Statements of Cash Flows****(Unaudited)****(In thousands)**

| | Six Months Ended June | |
|--|------------------------------|-------------|
| | 2012 | 2011 |
| Operating Activities | | |
| Net income | \$ 370,652 | \$ 330,987 |
| Adjustments to reconcile net income to cash provided (used) by operating activities: | | |
| Depreciation | 70,504 | 57,091 |
| Amortization of intangible assets | 24,221 | 19,246 |
| Other amortization | 16,046 | 11,418 |
| Stock-based compensation | 46,516 | 32,977 |
| Pension expense in excess of contributions | 38,297 | 22,029 |
| Gain on sale of business | (41,745) | |
| Other, net | 9,446 | 6,523 |
| Changes in operating assets and liabilities, net of purchases and sales of businesses: | | |
| Accounts receivable | 71,072 | (97,162) |
| Inventories | (136,497) | (199,650) |
| Other current assets | (45,419) | (15,124) |
| Accounts payable | (126,875) | (73,723) |
| Accrued compensation | (65,615) | (50,222) |
| Accrued income taxes | (84,510) | (56,817) |
| Accrued liabilities | (75,738) | (38,883) |
| Other assets and liabilities | 2,774 | 8,989 |
| Cash provided (used) by operating activities | 73,129 | (42,321) |
| Investing Activities | | |
| Capital expenditures | (118,980) | (64,022) |
| Proceeds from sale of business | 68,264 | |
| Trademarks acquisition | | (56,598) |
| Software purchases | (7,792) | (8,221) |
| Other, net | 3,854 | (1,107) |
| Cash used by investing activities | (54,654) | (129,948) |
| Financing Activities | | |
| Net increase in short-term borrowings | 400,166 | 6,252 |
| Payments on long-term debt | (1,398) | (1,260) |
| Purchase of Common Stock | (299,096) | (5,166) |
| Cash dividends paid | (158,581) | (137,182) |
| Proceeds from issuance of Common Stock, net | 7,180 | 83,845 |
| Tax benefits of stock option exercises | 25,243 | 14,718 |
| Cash used by financing activities | (26,486) | (38,793) |
| Effect of Foreign Currency Rate Changes on Cash and Equivalents | (2,705) | 30,301 |
| Net Change in Cash and Equivalents | (10,716) | (180,761) |
| Cash and Equivalents - Beginning of Year | 341,228 | 792,239 |
| Cash and Equivalents - End of Period | \$ 330,512 | \$ 611,478 |

See notes to consolidated financial statements.

Table of Contents**VF CORPORATION****Consolidated Statements of Stockholders Equity****(Unaudited)****(In thousands)**

| | VF Corporation Stockholders | | | | |
|--|------------------------------------|-------------------|----------------------|-----------------|--------------------|
| | Accumulated | | | | |
| | Common | Additional | Other | Retained | Non- |
| | Stock | Paid-in | Comprehensive | Earnings | controlling |
| | | Capital | Income (Loss) | | Interests |
| Balance, December 2010 | \$ 107,938 | \$ 2,081,367 | \$ (268,594) | \$ 1,940,508 | \$ 100 |
| Net income | | | | 888,089 | 2,304 |
| Dividends on Common Stock | | | | (285,722) | |
| Stock compensation plans, net | 2,685 | 284,966 | | (15,645) | |
| Common Stock held in trust for deferred compensation plans | (66) | | | (6,426) | |
| Distributions to noncontrolling interests | | | | | (338) |
| Acquisition of remaining noncontrolling interest | | (50,226) | | | (2,653) |
| Foreign currency translation | | | (45,432) | | (229) |
| Defined benefit pension plans | | | (90,568) | | |
| Derivative financial instruments | | | (12,451) | | |
| Marketable securities | | | (4,432) | | |
| Balance, December 2011 | 110,557 | 2,316,107 | (421,477) | 2,520,804 | (816) |
| Net income | | | | 370,513 | 139 |
| Dividends on Common Stock | | | | (158,581) | |
| Purchase of treasury stock | (2,000) | | | (295,075) | |
| Stock compensation plans, net | 891 | 105,457 | | (26,870) | |
| Common Stock held in trust for deferred compensation plans | (10) | | | (1,355) | |
| Disposition of remaining noncontrolling interest | | | | | 677 |
| Foreign currency translation | | | (30,094) | | |
| Defined benefit pension plans | | | 22,609 | | |
| Derivative financial instruments | | | 13,390 | | |
| Marketable securities | | | (814) | | |
| Balance, June 2012 | \$ 109,438 | \$ 2,421,564 | \$ (416,386) | \$ 2,409,436 | \$ |

See notes to consolidated financial statements.

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VF CORPORATION

Notes to Consolidated Financial Statements

(Unaudited)

Note A Basis of Presentation

VF Corporation (and its subsidiaries, collectively known as "VF") uses a 52/53 week fiscal year ending on the Saturday closest to December 31 of each year. For presentation purposes herein, all references to periods ended June 2012, December 2011 and June 2011 relate to the fiscal periods ended on June 30, 2012, December 31, 2011 and July 2, 2011, respectively.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X and do not include all of the information and notes required by generally accepted accounting principles ("GAAP") in the United States of America for complete financial statements. Similarly, the December 2011 consolidated balance sheet was derived from audited financial statements but does not include all disclosures required by GAAP. In the opinion of management, the accompanying unaudited consolidated financial statements contain all normal and recurring adjustments necessary to fairly present the consolidated financial position, results of operations and cash flows of VF for the interim periods presented. Operating results for the three and six months ended June 2012 are not necessarily indicative of results that may be expected for any other interim period or for the year ending December 29, 2012. For further information, refer to the consolidated financial statements and notes included in VF's Annual Report on Form 10-K for the year ended December 2011 ("2011 Form 10-K").

Note B Acquisitions and Dispositions

On September 13, 2011, VF acquired 100% of the outstanding shares of The Timberland Company ("Timberland") for \$2.3 billion in cash. The purchase price was funded by the issuance of \$900.0 million of term debt, together with available cash on hand and short-term borrowings.

Timberland is a global footwear and apparel company based in New Hampshire whose primary brands are *Timberland*[®] and *SmartWool*[®]. The results of Timberland have been included in VF's consolidated financial statements since the date of acquisition and are reported as part of the Outdoor & Action Sports Coalition. Timberland contributed \$239.4 million and \$595.4 million of revenues and \$(37.2) million and \$(26.3) million of pretax losses in the second quarter and first six months of 2012, respectively.

This acquisition strengthens VF's position within the outdoor apparel and footwear industry by adding two strong, global and authentic brands with significant growth opportunities. Factors that contributed to recognition of goodwill for the acquisition included (1) expected growth rates and profitability of Timberland, (2) the opportunity to leverage VF's skills to achieve higher growth in sales, income and cash flows of the business and (3) expected synergies with existing VF business units. Goodwill resulting from this transaction is not tax deductible and has been assigned to the Outdoor & Action Sports Coalition.

The *Timberland*[®] and *SmartWool*[®] trademarks and trade names, which management believes have indefinite lives, have been valued at \$1,274.1 million. Amortizable intangible assets have been assigned values of \$174.4 million for customer relationships, \$5.8 million for distributor agreements and \$4.5 million for license agreements. Customer relationships are being amortized using an accelerated method over 20 years. Distributor agreements and license agreements are being amortized on a straight-line basis over ten and five years, respectively.

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The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

| | |
|--|---------------------|
| In thousands | |
| Cash and equivalents | \$ 92,442 |
| Inventories | 390,180 |
| Other current assets | 318,755 |
| Property, plant and equipment | 89,581 |
| Intangible assets | 1,458,800 |
| Other assets | 42,635 |
| Total assets acquired | 2,392,393 |
| Current liabilities | 364,608 |
| Other liabilities, primarily deferred income taxes | 580,182 |
| Total liabilities assumed | 944,790 |
| Net assets acquired | 1,447,603 |
| Goodwill | 851,904 |
| Purchase price | \$ 2,299,507 |

Since December 2011, goodwill decreased by \$20.0 million as a result of adjustments to the acquired income tax balances. The purchase price allocation related to income tax balances was finalized in the second quarter of 2012.

Unaudited pro forma results of operations for VF are presented below assuming that the 2011 acquisition of Timberland had occurred at the beginning of 2010.

| In thousands, except per share amounts | Three Months Ended June 2011 | Six Months Ended June 2011 |
|---|---------------------------------|-------------------------------|
| Total Revenues | \$ 2,080,250 | \$ 4,388,053 |
| Net Income attributable to VF Corporation | 101,105 | 311,254 |
| Earnings per common share | | |
| Basic | \$ 0.93 | \$ 2.86 |
| Diluted | 0.91 | 2.82 |

Pro forma financial information is not necessarily indicative of VF's operating results if the acquisition had been effected at the date indicated, nor is it necessarily indicative of future operating results. Amounts do not include any marketing leverage, operating efficiencies or cost savings that VF believes are achievable.

Information on Timberland's historical filings with the Securities and Exchange Commission can be located at www.sec.gov.

On April 30, 2012, VF sold its ownership in John Varvatos Enterprises, Inc. (John Varvatos). VF recorded a \$41.7 million gain on the sale which is included in Miscellaneous Income (Expense).

Note C Sale of Accounts Receivable

VF has an agreement with a financial institution to sell selected trade accounts receivable on a nonrecourse basis. This agreement allows VF to have up to \$237.5 million of accounts receivable held by the financial institution at any point in time. After the sale, VF continues to service and collect these accounts receivable on behalf of the financial institution but does not retain any other interests in the receivables. At the end of June 2012, December 2011 and June 2011, accounts receivable in the Consolidated Balance Sheets had been reduced by \$135.5 million, \$115.4 million and \$123.0 million, respectively, related to balances sold under this program. During the first half of 2012, VF sold \$598.3 million of accounts receivable at their stated amounts, less a funding fee of \$1.0 million, which was recorded in Miscellaneous Income (Expense). Net proceeds of this program are classified in operating activities in the Consolidated Statements of Cash Flows.

Table of Contents**Note D Intangible Assets**

| Dollars in thousands | Weighted Average Amortization Period | Cost | June 2012 Accumulated Amortization | Net Carrying Amount | December 2011 Net Carrying Amount |
|-------------------------------------|---|------------|--|---------------------------|--|
| Amortizable intangible assets: | | | | | |
| Customer relationships | 19 years | \$ 613,210 | \$ 154,960 | \$ 458,250 | \$ 477,817 |
| License agreements | 24 years | 183,527 | 63,551 | 119,976 | 124,239 |
| Trademarks and other | 8 years | 19,292 | 8,718 | 10,574 | 11,934 |
| Amortizable intangible assets, net | | | | 588,800 | 613,990 |
| Indefinite-lived intangible assets: | | | | | |
| Trademarks and trade names | | | | 2,339,511 | 2,344,473 |
| Intangible assets, net | | | | \$ 2,928,311 | \$ 2,958,463 |

Intangible assets are amortized using the following methods: customer relationships accelerated methods; license agreements accelerated and straight-line methods; trademarks and other straight-line method.

Amortization of intangible assets for the second quarter and first six months of 2012 was \$12.0 million and \$24.2 million, respectively, and is expected to be \$47.9 million for the year ended 2012. Estimated amortization expense for the years ending 2013 through 2016 is \$46.3 million, \$44.6 million, \$42.8 million and \$41.1 million, respectively.

Note E Goodwill

| In thousands | Outdoor & Action Sports | Jeanswear | Imagewear | Sportswear | Contemporary Brands | Total |
|--|----------------------------|------------|-----------|------------|------------------------|--------------|
| Balances, December 2011 | \$ 1,437,596 | \$ 228,421 | \$ 57,768 | \$ 157,314 | \$ 142,361 | \$ 2,023,460 |
| Adjustments to purchase price allocation | (19,991) | | 978 | | | (19,013) |
| Currency translation | (5,407) | (2,685) | | | | (8,092) |
| Balances, June 2012 | \$ 1,412,198 | \$ 225,736 | \$ 58,746 | \$ 157,314 | \$ 142,361 | \$ 1,996,355 |

Balances at December 2011 are net of cumulative impairment charges recorded as follows: Outdoor & Action Sports \$43.4 million, Sportswear \$58.5 million and Contemporary Brands \$195.2 million.

Note F Pension Plans

The following components comprise VF's pension cost:

| In thousands | Three Months Ended June 2012 | Three Months Ended June 2011 | Six Months Ended June 2012 | Six Months Ended June 2011 |
|--|---------------------------------|---------------------------------|-------------------------------|-------------------------------|
| Service cost | \$ 5,794 | \$ 5,272 | \$ 11,605 | \$ 10,454 |
| Interest cost on projected benefit obligations | 19,249 | 19,738 | 38,498 | 39,443 |
| Expected return on plan assets | (20,158) | (22,442) | (40,314) | (44,858) |
| Amortization of deferred amounts: | | | | |

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| | | | | |
|-------------------------------|-----------|-----------|-----------|-----------|
| Net deferred actuarial losses | 17,621 | 10,779 | 35,239 | 21,543 |
| Deferred prior service cost | 838 | 864 | 1,677 | 1,727 |
| Net periodic pension cost | \$ 23,344 | \$ 14,211 | \$ 46,705 | \$ 28,309 |

During the first half of 2012, VF contributed \$8.4 million to its defined benefit pension plans. VF currently anticipates making \$7.5 million of additional contributions during the remainder of 2012.

Table of Contents**Note G Business Segment Information**

VF's businesses are grouped into product categories, and by brands within those product categories, for internal financial reporting used by management. These groupings of businesses within VF are referred to as coalitions and are the basis for VF's reportable business segments. Financial information for VF's reportable segments is as follows:

| In thousands | Three Months Ended June | | Six Months Ended June | |
|-----------------------------------|-------------------------|---------------------|-----------------------|---------------------|
| | 2012 | 2011 | 2012 | 2011 |
| Coalition revenues: | | | | |
| Outdoor & Action Sports | \$ 1,039,974 | \$ 717,928 | \$ 2,303,941 | \$ 1,506,143 |
| Jeanswear | 594,006 | 613,367 | 1,335,717 | 1,292,610 |
| Imagewear | 251,493 | 244,074 | 529,014 | 490,882 |
| Sportswear | 117,488 | 120,272 | 240,403 | 232,166 |
| Contemporary Brands | 107,947 | 118,103 | 234,851 | 230,019 |
| Other | 30,878 | 26,379 | 54,315 | 47,102 |
| Total coalition revenues | \$ 2,141,786 | \$ 1,840,123 | \$ 4,698,241 | \$ 3,798,922 |
| Coalition profit: | | | | |
| Outdoor & Action Sports | \$ 82,469 | \$ 89,472 | \$ 284,169 | \$ 233,377 |
| Jeanswear | 93,347 | 94,365 | 204,119 | 217,491 |
| Imagewear | 30,364 | 40,271 | 73,290 | 77,169 |
| Sportswear | 11,486 | 11,658 | 22,212 | 19,088 |
| Contemporary Brands | 11,992 | 10,689 | 26,850 | 20,373 |
| Other | 366 | 64 | (1,244) | (2,010) |
| Total coalition profit | 230,024 | 246,519 | 609,396 | 565,488 |
| Corporate and other expenses | (24,482) | (60,583) | (88,006) | (106,840) |
| Interest, net | (22,405) | (14,452) | (44,712) | (29,426) |
| Income before income taxes | \$ 183,137 | \$ 171,484 | \$ 476,678 | \$ 429,222 |

Timberland has been reported in the Outdoor & Action Sports Coalition since its acquisition date.

Note H Capital and Accumulated Other Comprehensive Income (Loss)

Common stock outstanding is net of shares held in treasury and, in substance, retired. During the quarter ended June 2012, VF restored 19,000,000 shares of treasury stock to unissued status. There were 2,474,996 treasury shares at June 2012, 19,289,690 at December 2011 and 19,270,341 at June 2011. The excess of the cost of treasury shares acquired over the \$1 per share stated value of Common Stock is deducted from Retained Earnings. In addition, 234,301 shares of VF Common Stock at June 2012, 238,275 shares at December 2011 and 241,059 shares at June 2011 were held in connection with deferred compensation plans. These shares, having a cost of \$11.2 million, \$11.0 million and \$10.4 million at the respective dates, are treated as treasury shares for financial reporting purposes.

There are 25,000,000 authorized shares of Preferred Stock, \$1 par value, of which none are outstanding.

Comprehensive income includes net income and specified components of other comprehensive income (OCI). OCI consists of changes in assets and liabilities that are not included in net income under GAAP but are instead deferred and accumulated within a separate component of stockholders' equity in the balance sheet. VF's comprehensive income is presented in the Consolidated Statements of Comprehensive Income. The deferred components of other comprehensive income (loss) are reported, net of related income taxes, in Accumulated Other Comprehensive Income (Loss) in Stockholders' Equity, as follows:

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| In thousands | June 2012 | December 2011 | June 2011 |
|---|--------------|------------------|--------------|
| Foreign currency translation | \$ (81,253) | \$ (51,159) | \$ 92,861 |
| Defined benefit pension plans | (334,084) | (356,693) | (251,621) |
| Derivative financial instruments | (777) | (14,167) | (24,563) |
| Marketable securities | (272) | 542 | 3,540 |
| Accumulated other comprehensive income (loss) | \$ (416,386) | \$ (421,477) | \$ (179,783) |

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Note I Stock-based Compensation

During the first quarter of 2012, VF granted options to purchase 855,058 shares of Common Stock at an exercise price of \$145.58, equal to the fair market value of VF Common Stock on the option grant date. Employee stock options vest in equal annual installments over three years and options granted to VF's Board of Directors become exercisable one year from the date of grant. The grant date fair value of all options was estimated using a lattice option-pricing valuation model, with the following assumptions: expected volatility ranging from 27% to 31%, with a weighted average of 30%; expected term of 5.6 to 7.5 years; expected dividend yield of 2.5%; and a risk-free interest rate ranging from 0.1% at six months to 2.1% at 10 years. The resulting weighted average fair value of these options at the grant date was \$33.43 per option.

Also during the first quarter of 2012, VF granted 191,788 performance-based restricted stock units that enable the recipients to receive shares of VF Common Stock at the end of a three year period. The actual number of shares that will be earned can range from 0-200% of the target award, based on achievement of a three year baseline profitability goal and annually established performance goals set by the Compensation Committee of the Board of Directors. The actual number of earned shares may be adjusted upward or downward by 25% of the target award (but not below a zero percentage payout), based on VF's total shareholder return (TSR) over a three year period compared with the TSR for companies included in the Standard & Poor's 500 index.

VF granted 4,345 nonperformance-based restricted stock units to members of the Board of Directors during the first quarter of 2012. These units vest upon grant and will be settled in shares of VF Common Stock one year from the date of grant. The fair market value of VF's Common Stock at the date the units were granted was \$145.58 per share.

VF also granted, during the first quarter of 2012, 5,500 shares of restricted VF Common Stock with a grant date fair value of \$141.77 per share. These shares will vest in 2016, assuming the grantees remain employed through the vesting date.

During the quarter ended June 2012, VF did not grant any stock-based compensation awards.

Note J Income Taxes

The effective income tax rate was 22.2% in the first six months of 2012, compared with 22.9% in the first six months of 2011. The tax rates in both periods were lowered by discrete items. The first six months of 2012 included \$8.0 million in tax benefits related to the settlement of prior years' tax audits, \$3.5 million in tax benefits related to the realization of unrecognized tax benefits related to foreign taxes and \$11.1 million in tax benefits from the utilization of a capital loss carryforward, which was triggered by the sale of John Varvatos. The first six months of 2011 included \$12.8 million in tax benefits related to the realization of unrecognized tax benefits.

VF files a consolidated U.S. federal income tax return, as well as separate and combined income tax returns in numerous states and foreign jurisdictions. In addition, Timberland filed a consolidated U.S. federal income tax return through the time of acquisition. The United States Internal Revenue Service (IRS) is currently examining VF's tax years 2007, 2008 and 2009. The IRS commenced an examination of Timberland's 2010 tax year during the second quarter of 2012. Additionally, the IRS audit of Timberland's 2008 and 2009 tax years was settled during the second quarter of 2012. VF is currently subject to examination by various state tax authorities. While the outcome of any one examination is not expected to have a material impact on VF's consolidated financial statements, management regularly assesses the outcomes of both ongoing and future examinations to ensure VF's provision for income taxes is sufficient. Management believes that some of these audits and negotiations will conclude during the next 12 months.

During the first six months of 2012, the amount of unrecognized tax benefits and associated interest decreased by \$8.0 million to \$94.7 million. Management believes that it is reasonably possible that the amount of unrecognized income tax benefits may decrease during the next 12 months by approximately \$5.5 million related to the completion of audits and other settlements with tax authorities and the expiration of statutes of limitations. Of the \$5.5 million, \$5.3 million would reduce income tax expense.

Table of Contents**Note K Earnings Per Share**

| In thousands, except per share amounts | Three Months Ended June | | Six Months Ended June | |
|--|--------------------------------|-------------|------------------------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| Earnings per share basic: | | | | |
| Net income | \$ 155,425 | \$ 129,567 | \$ 370,652 | \$ 330,987 |
| Net (income) loss attributable to noncontrolling interests | (128) | (199) | (139) | (916) |
| Net income attributable to VF Corporation | \$ 155,297 | \$ 129,368 | \$ 370,513 | \$ 330,071 |
| Weighted average Common Stock outstanding | 109,216 | 109,079 | 109,874 | 108,651 |
| Earnings per common share attributable to VF Corporation common stockholders | \$ 1.42 | \$ 1.19 | \$ 3.37 | \$ 3.04 |
| Earnings per common share diluted: | | | | |
| Net income attributable to VF Corporation | \$ 155,297 | \$ 129,368 | \$ 370,513 | \$ 330,071 |
| Weighted average Common Stock outstanding | 109,216 | 109,079 | 109,874 | 108,651 |
| Incremental shares from stock options and other dilutive securities | 2,012 | 1,811 | 2,118 | 1,802 |
| Adjusted weighted average Common Stock outstanding | 111,228 | 110,890 | 111,992 | 110,453 |
| Earnings per common share attributable to VF Corporation common stockholders | \$ 1.40 | \$ 1.17 | \$ 3.31 | \$ 2.99 |

Outstanding options to purchase approximately 0.9 million shares of Common Stock for each of the three and six month periods ended June 2012 and June 2011, were excluded from the computations of diluted earnings per share because the options were antidilutive. In addition, approximately 0.4 million performance-based restricted stock units were excluded from the computation of diluted earnings per share for the three and six month periods ended June 2012, and 0.3 million were excluded for the three and six month periods ended June 2011, because these units have not yet been earned in accordance with the vesting conditions of the plan.

Note L Fair Value Measurements

Fair value is the price that would be received from the sale of an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market in an orderly transaction between market participants. In determining fair value, the accounting standards distinguish between (i) market data obtained or developed from independent sources (i.e., observable data inputs) and (ii) a reporting entity's own data and assumptions that market participants would use in pricing an asset or liability (i.e., unobservable data inputs). Financial assets and financial liabilities measured and reported at fair value are classified in a three level hierarchy that prioritizes the inputs used in the valuation process. The hierarchy is based on the observability and objectivity of the pricing inputs, as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Significant directly observable data (other than Level 1 quoted prices) or significant indirectly observable data through corroboration with observable market data. Inputs would normally be (i) quoted prices in active markets for similar assets or liabilities, (ii) quoted prices in inactive markets for identical or similar assets or liabilities or (iii) information derived from or corroborated by observable market data.

Level 3 Prices or valuation techniques that require significant unobservable data inputs. Inputs would normally be a reporting entity's own data and judgments about assumptions that market participants would use in pricing the asset or liability.

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The fair value measurement level for an asset or liability is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

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The following table summarizes the classes of financial assets and financial liabilities measured and recorded at fair value on a recurring basis:

| In thousands | Total Fair Value | Fair Value Measurement Using: | | |
|-----------------------------|------------------|--|---|---|
| | | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| June 2012 | | | | |
| Financial assets: | | | | |
| Cash equivalents: | | | | |
| Money market funds | \$ 7,438 | \$ 7,438 | \$ | \$ |
| Time deposits | 124,688 | 124,688 | | |
| Derivative instruments | 57,135 | | 57,135 | |
| Investment securities | 181,864 | 152,730 | 29,134 | |
| Other marketable securities | 4,099 | 4,099 | | |
| Financial liabilities: | | | | |
| Derivative instruments | 21,618 | | 21,618 | |
| Deferred compensation | 228,202 | | 228,202 | |
| December 2011 | | | | |
| Financial assets: | | | | |
| Cash equivalents: | | | | |
| Money market funds | \$ 117 | \$ 117 | \$ | \$ |
| Time deposits | 89,585 | 89,585 | | |
| Derivative instruments | 46,328 | | 46,328 | |
| Investment securities | 175,225 | 144,391 | 30,834 | |
| Other marketable securities | 4,913 | 4,913 | | |
| Financial liabilities: | | | | |
| Derivative instruments | 23,513 | | 23,513 | |
| Deferred compensation | 220,056 | | 220,056 | |

The financial assets and financial liabilities in the above table have been recorded in the financial statements at fair value. All other financial assets and financial liabilities are recorded in the financial statements at cost, except life insurance contracts which are recorded at cash surrender value. These other financial assets and financial liabilities include cash held as demand deposits, accounts receivable, life insurance contracts, short-term borrowings, accounts payable and accrued liabilities. At June 2012 and December 2011, their carrying values approximated their fair values. Additionally, at June 2012 and December 2011, the carrying value of VF's long-term debt, including the current portion, was \$1,833.3 million and \$1,834.5 million, respectively, compared with fair value of \$2,110.6 million and \$2,079.5 million at those dates. Fair value for long-term debt is a Level 2 estimate based on quoted market prices or values of comparable borrowings.

Table of Contents**Note M Derivative Financial Instruments and Hedging Activities**

Summary of Derivative Instruments: All of VF's outstanding derivative instruments are forward foreign exchange contracts. Most derivatives meet the criteria for hedge accounting at the inception of the hedging relationship, but a limited number of derivative contracts intended to hedge assets and liabilities are not designated as hedges for accounting purposes. Additionally, derivative instruments that are cash flow hedges of forecasted third party sales are dedesignated as hedges near the end of their term and do not qualify for hedge accounting after the date of dedesignation. The notional amounts of outstanding derivative contracts at June 2012, December 2011 and June 2011 totaled \$1.6 billion, \$1.5 billion and \$1.5 billion, respectively, consisting of contracts hedging primarily exposures to the euro, British pound, Canadian dollar, Mexican peso, Polish zloty, and Japanese yen. Derivative contracts have maturities up to 20 months. The following table presents outstanding derivatives on an individual contract basis:

| In thousands | Fair Value of Derivatives with Unrealized Gains | | | Fair Value of Derivatives with Unrealized Losses | | |
|--|---|------------------|------------------|--|------------------|------------------|
| | June 2012 | December 2011 | June 2011 | June 2012 | December 2011 | June 2011 |
| Foreign exchange contracts designated as hedging instruments | \$ 56,894 | \$ 45,071 | \$ 22,141 | \$ 18,977 | \$ 22,406 | \$ 63,722 |
| Foreign exchange contracts dedesignated as hedging instruments | 170 | 1,245 | 1,698 | 2,427 | 930 | 184 |
| Foreign exchange contracts not designated as hedging instruments | 71 | 12 | | 214 | 177 | |
| Total derivatives | \$ 57,135 | \$ 46,328 | \$ 23,839 | \$ 21,618 | \$ 23,513 | \$ 63,906 |

Outstanding derivatives have been included in the Consolidated Balance Sheets and classified as current or noncurrent based on the derivatives maturity dates, as follows:

| In thousands | June 2012 | December 2011 | June 2011 |
|--------------------------------|-----------|---------------|-----------|
| Other current assets | \$ 50,313 | \$ 39,076 | \$ 21,421 |
| Accrued current liabilities | (18,739) | (19,326) | (58,040) |
| Other assets (noncurrent) | 6,822 | 7,252 | 2,418 |
| Other liabilities (noncurrent) | (2,879) | (4,187) | (5,866) |

Fair Value Hedges: VF enters into derivative contracts to hedge intercompany balances between related parties having different functional currencies, and has historically designated these as fair value hedge relationships. Effective January 1, 2012, VF no longer designates these types of derivative contracts as hedge relationships. Accordingly, gains (losses) related to these derivatives are included in the disclosure of Derivative Contracts Not Designated as Hedges during the first six months of 2012. VF's Consolidated Statements of Income include the following effects related to fair value hedging:

| In thousands | Location of Gain (Loss) on Derivatives Recognized in Income | Gain (Loss) on Derivatives Recognized in Income | | Hedged Items in Fair Value Hedge Relationships | Location of Gain (Loss) Recognized on Related Hedged Items | Gain (Loss) on Related Hedged Items Recognized in Income | |
|----------------------------------|---|---|------------|--|--|--|------------|
| Fair Value Hedging Relationships | Recognized in Income | Three Months | Six Months | | Recognized on Related Hedged Items | Three Months | Six Months |
| Periods ended June 2012 | | | | | | | |
| Foreign exchange | Miscellaneous income (expense) | \$ | \$ | Advances intercompany | Miscellaneous income (expense) | \$ | \$ |
| Periods ended June 2011 | | | | | | | |
| Foreign exchange | Miscellaneous income (expense) | \$ (3,817) | \$ (5,047) | Advances intercompany | Miscellaneous income (expense) | \$ 2,829 | \$ 3,799 |

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Cash Flow Hedges: VF uses derivative contracts primarily to hedge a portion of the exchange risk for its forecasted inventory purchases and production costs and for its forecasted cash receipts arising from sales of inventory. In addition, VF hedges the exchange risk of forecasted intercompany royalties. As discussed below in *Derivative Contracts Dedicating as Hedges*, cash flow hedges of forecasted inventory sales to third parties are dedesignated as hedges when the sale is recorded, and hedge accounting is not applied after that date. The effects of cash flow hedging included in VF's Consolidated Statements of Income and Consolidated Statements of Comprehensive Income are summarized as follows:

| In thousands | Gain (Loss) on Derivatives Recognized in OCI | | Location of Gain (Loss) Reclassification From Accumulated OCI into Income | Gain (Loss) Reclassified from Accumulated OCI into Income | |
|--|--|-------------|---|---|------------|
| | Three Months | Six Months | | Three Months | Six Months |
| Cash Flow Hedging Relationships | | | | | |
| <u>Periods ended June 2012</u> | | | | | |
| Foreign exchange | \$ 26,386 | \$ 18,675 | Net sales | \$ (2,484) | \$ (1,780) |
| | | | Cost of goods sold | 283 | 597 |
| | | | Miscellaneous income (expense) | 553 | (114) |
| | | | Interest expense | (927) | (1,838) |
| Total | \$ 26,386 | \$ 18,675 | Total | \$ (2,575) | \$ (3,135) |
| <u>Periods ended June 2011</u> | | | | | |
| Foreign exchange | \$ (8,370) | \$ (34,552) | Net sales | \$ 1,627 | \$ 1,231 |
| | | | Cost of goods sold | (338) | 4,804 |
| | | | Miscellaneous income (expense) | (1,591) | (3,536) |
| | | | Interest expense | 29 | 58 |
| Total | \$ (8,370) | \$ (34,552) | Total | \$ (273) | \$ 2,557 |

Derivative Contracts Dedicating as Hedges: As previously noted, cash flow hedges of certain forecasted inventory sales to third parties are dedesignated as hedges when the sales are recognized. At that time, hedge accounting is no longer applied and the amount of unrealized hedging gain or loss is recognized in net sales. These derivatives remain outstanding and serve as an economic hedge of foreign currency exposures related to the ultimate collection of the trade receivables. During the period that hedge accounting is not applied, changes in the fair value of the derivative contracts are recognized directly in earnings. For the three and six months ended June 2012, VF recorded net losses of \$1.1 million and \$1.9 million in Miscellaneous Income (Expense) for derivatives dedesignated as hedging instruments, effectively offsetting the net remeasurement gains on the related assets and liabilities. For the three and six months ended June 2011, VF recorded net losses of less than \$1.0 million in Miscellaneous Income (Expense) for dedesignated derivatives.

Derivative Contracts Not Designated as Hedges: VF uses derivative contracts to manage foreign currency exchange risk on intercompany loans, accounts receivable and payable, and third-party accounts receivable and payable. These contracts, which are not designated as hedges, are recorded at fair value in the Consolidated Balance Sheets, with changes in the fair values of these instruments recognized directly in earnings. Gains or losses on these contracts largely offset the net remeasurement gains or losses on the related assets and liabilities. Following is a summary of these hedges included in VF's Consolidated Statements of Income:

| Derivatives Not Designated as Hedges | Location of Gain (Loss) on Derivatives Recognized in Income | Gain (Loss) on Derivatives Recognized in Income | |
|--------------------------------------|---|---|------|
| | | 2012 | 2011 |
| Foreign exchange | Miscellaneous income (expense) | \$ 1,376 | \$ |

Other Derivative Information: There were no significant amounts recognized in earnings for the ineffective portion of any hedging relationships during the three and six months ended June 2012 and June 2011.

At June 2012, Accumulated OCI included \$32.9 million of net pretax deferred gains for foreign exchange contracts that are expected to be reclassified to earnings during the next 12 months. The amounts reclassified to earnings will depend on exchange rates in effect when currently

outstanding derivative contracts are settled.

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VF entered into interest rate swap derivative contracts in 2011 and 2003 to hedge the interest rate risk for issuance of long-term debt due in 2021 and 2033, respectively. In each case, the contracts were terminated concurrent with the issuance of the debt, and the realized gain or loss was deferred in Accumulated OCI. The remaining net pretax deferred loss in Accumulated OCI related to the contracts was \$41.4 million at June 2012, which will be reclassified into the Consolidated Statement of Income over the remaining terms of the associated debt instruments.

Note N Recently Adopted/Issued Accounting Standards

In May 2011, the FASB issued an update to their authoritative guidance regarding fair value measurements and related disclosures. Additional disclosure requirements in the update include: (1) for Level 3 fair value measurements, quantitative information about unobservable inputs used, a description of the valuation processes used, and a qualitative discussion about the sensitivity of the measurements to changes in the unobservable inputs; (2) for the use of a nonfinancial asset that is different from the asset's highest and best use, the reason for the difference; (3) for financial instruments not measured at fair value but for which disclosure of fair value is required, the fair value hierarchy level in which the fair value measurements were determined; and (4) the disclosure of all transfers between Level 1 and Level 2 of the fair value hierarchy. This guidance became effective during the first quarter of 2012 and will be applied on a prospective basis.

In June 2011, the FASB issued an update to their accounting guidance regarding other comprehensive income which requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements of income and comprehensive income. This guidance became effective during the first quarter of 2012 but did not have any effect on VF's consolidated financial statements since the current statement of comprehensive income complies with this guidance.

In September 2011, the FASB issued an update to their authoritative guidance regarding goodwill impairment testing. The amendment is intended to reduce the complexity of testing by allowing companies to assess qualitative factors to determine the likelihood of goodwill impairment and whether it is necessary to perform the two-step impairment test currently required. This guidance became effective during the first quarter of 2012 and will be considered during the 2012 goodwill impairment testing. It is not expected to have an impact on the consolidated financial statements.

In December 2011, the FASB issued guidance enhancing disclosure requirements surrounding the nature of an entity's right of offset associated with its financial instruments and derivative instruments. The new guidance is effective January 2013 with retrospective application required. It is not expected to have a material effect on the consolidated financial statements.

In July 2012, the FASB issued an update to their accounting guidance regarding indefinite-lived intangible asset impairment testing and whether it is necessary to perform the quantitative impairment test currently required. The guidance is effective for interim and annual periods beginning after September 15, 2012, with early adoption permitted. The adoption of this pronouncement will not have a material impact on the consolidated financial statements.

Note O Subsequent Events

On July 17, 2012, VF's Board of Directors declared a quarterly cash dividend of \$0.72 per share, payable on September 20, 2012 to shareholders of record on September 10, 2012.

Table of Contents**Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations****Overview****Highlights of the Second Quarter of 2012**

All references to organic financial data exclude the *Timberland*® and *SmartWool*® brands (*Timberland*), acquired September 13, 2011 and all per share amounts are presented on a diluted basis.

Revenues grew to \$2.1 billion, an increase of 16% from the 2011 quarter, composed of growth from the addition of *Timberland* and 3% organic growth.

International revenues rose 33% over the 2011 quarter, with 26 percentage points of the growth attributable to the *Timberland* acquisition. International revenues accounted for a third of total revenues in the second quarter of 2012.

VF's business in Asia continued to experience significant growth, with revenues up 63% in the quarter, composed of 45% growth from the addition of *Timberland* and 18% organic growth.

Direct-to-consumer revenues increased 37% in the quarter and accounted for 21% of VF's total revenues. *Timberland* accounted for 29 percentage points of the direct-to-consumer revenue growth in the second quarter of 2012.

On April 30, 2012, VF sold its ownership in John Varvatos Enterprises, Inc. (*John Varvatos*) resulting in a pretax gain on the sale of \$41.7 million (\$0.32 per share including a \$0.10 per share tax benefit which was triggered as a result of the sale).

Earnings per share increased to \$1.40 from \$1.17 in the 2011 quarter, with a negative impact from *Timberland* of \$0.15 per share that included a \$0.03 per share impact from acquisition related expenses.

Analysis of Results of Operations**Consolidated Statements of Income**

The following table presents a summary of the changes in Total Revenues from 2011:

| In millions | Second Quarter | Six Months |
|--|-------------------|---------------|
| Total Revenues 2011 | \$ 1,840.1 | \$ 3,798.9 |
| Organic growth | 125.1 | 389.6 |
| Acquisition in prior year | 239.4 | 595.4 |
| Disposition in current year | (14.4) | (14.4) |
| Impact of foreign currency translation | (48.4) | (71.3) |
| Total Revenues 2012 | \$ 2,141.8 | \$ 4,698.2 |

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Second quarter revenue growth was driven by the Outdoor & Action Sports Coalition, which grew by 45% compared to the 2011 quarter due to the acquisition of Timberland and organic growth. In addition, Imagewear and Contemporary Brands contributed to the second quarter revenue growth. All coalitions achieved growth during the first six months of 2012 compared to 2011. Additional details on revenues are provided in the section titled Information by Business Segment.

Translating a foreign subsidiary's financial statements from its functional currency into the U.S. dollar, VF's reporting currency, has an impact on VF's reported operating results. A stronger U.S. dollar in relation to the functional currencies where VF conducts its international business (primarily in Europe/euro-based countries) negatively impacted revenue comparisons by \$48.4 million and \$71.3 million in the second quarter and the first six months of 2012, respectively, compared with the prior year periods.

The weighted average translation rate for the euro was \$1.28 for the second quarter of 2012 and \$1.30 for the first half of 2012, compared with \$1.44 for the second quarter of 2011 and \$1.40 for the first six months of 2011. If the U.S. dollar remains at the exchange rate in effect at the end of June 2012 (\$1.26 per euro), reported revenues for the second half of 2012 will be negatively impacted compared with the second half of 2011, when the weighted average translation rate was \$1.39 per euro.

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The following table presents the percentage relationship to Total Revenues for components of the Consolidated Statements of Income:

| | Second Quarter | | Six Months | |
|---|----------------|-------|------------|-------|
| | 2012 | 2011 | 2012 | 2011 |
| Gross margin (total revenues less cost of goods sold) | 46.1% | 45.9% | 45.8% | 46.6% |
| Marketing, administrative and general expenses | 38.4% | 35.7% | 35.7% | 34.4% |
| Operating income | 7.7% | 10.3% | 10.2% | 12.2% |

Gross margin increased to 46.1% in the second quarter of 2012, compared to 45.9% in the 2011 quarter, due to a greater percentage of revenues from higher gross margin businesses, including the Outdoor & Action Sports, international and retail businesses, as well as an improvement of gross margin in our Jeanswear Americas business which reflects increased pricing compared to the prior period. For the first half of 2012, gross margin declined 0.8% compared to the 2011 period reflecting a continued impact from higher product costs that were not fully recovered through price increases.

Marketing, Administrative and General Expenses as a percentage of Total Revenues was higher in the second quarter and first half of 2012 compared to the 2011 periods due to (i) the acquisition of Timberland with its higher expense ratio that increased the 2012 ratios by 2.4% and 1.7%, respectively (including acquisition-related expenses) and (ii) higher domestic pension expense that increased the 2012 ratios by 0.4% in both periods. These increases were partially offset by leverage of operating expenses on higher revenues in VF's businesses other than Timberland.

Interest Expense increased by \$7.6 million in the second quarter of 2012 and \$15.0 million in the first six months of 2012, from the comparable periods in 2011, due primarily to the issuance of \$900 million in term debt in the third quarter of 2011 to provide funding for the Timberland acquisition and higher levels of commercial paper borrowings. Outstanding interest-bearing debt averaged \$2.4 billion for the first six months of 2012 and \$986 million for the comparable period of 2011. The weighted average interest rates on total outstanding debt were 3.7% and 6.2% for the first six months of 2012 and 2011, respectively.

On April 30, 2012, VF sold its ownership in John Varvatos. VF recorded a \$41.7 million gain on the sale which is included in Miscellaneous Income (Expense).

The effective income tax rate was 22.2% in the first half of 2012, which was slightly lower than the 22.9% effective income tax rate in the first half of 2011. The first six months of 2012 included \$8.0 million in tax benefits related to the settlement of prior years' tax audits, \$3.5 million in tax benefits related to the realization of unrecognized tax benefits related to foreign taxes and \$11.1 million in tax benefits from the utilization of a capital loss carryforward, which was triggered by the sale of John Varvatos. The first six months of 2011 included \$12.8 million in tax benefits related to the realization of unrecognized tax benefits.

The expected 2012 annual effective tax rate should approximate 25.0%, compared with 23.6% for full year 2011. The effective income tax rate for full year 2011 reflected a 3.5% benefit from discrete tax items.

Net Income Attributable to VF Corporation for the second quarter of 2012 increased to \$155.3 million (\$1.40 per share), compared with \$129.4 million (\$1.17 per share) in the 2011 quarter. The second quarter of 2012 benefited by a \$0.32 per share gain on the sale of John Varvatos including a \$0.10 per share benefit related to utilizing a tax capital loss carryforward, offset by (i) \$0.06 per share from foreign currency translation, (ii) \$0.05 per share from higher pension expense, and (iii) \$0.03 per share in acquisition-related costs. In addition, the 2011 period was favorably impacted by a benefit of \$0.07 per share related to a gain on a facility closure that did not recur in 2012. The remainder of the change in earnings per share during the 2012 quarter resulted from operating performance, as discussed in the Information by Business Segment section below.

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Net Income Attributable to VF Corporation for the first six months of 2012 increased to \$370.5 million (\$3.31 per share), compared with \$330.1 million (\$2.99 per share) in the first half of 2011. The first six months of 2012 benefited by a \$0.32 per share gain on the sale of John Varvatos including a \$0.10 per share benefit related to utilizing a tax capital loss carryforward, offset by (i) \$0.10 per share from foreign currency translation, (ii) \$0.10 per share from higher pension expense and (iii) \$0.06 per share in acquisition-related costs. In addition, the first half of 2011 was favorably impacted by the following benefits that did not recur in 2012: (i) \$0.07 per share from a favorable tax settlement, (ii) \$0.07 per share from a gain on a facility closure, and (iii) \$0.04 per share from a change in inventory accounting. The remainder of the change in earnings per share during the first six months of 2012 resulted from operating performance, as discussed in the Information by Business Segment section below.

Information by Business Segment

VF's businesses are grouped into product categories, and by brands within those product categories, for management and internal financial reporting purposes. These groupings of businesses within VF are referred to as coalitions. These coalitions are the basis for VF's reportable business segments.

See Note G to the Consolidated Financial Statements for a summary of results of operations by coalition, along with a reconciliation of Coalition Profit to Income Before Income Taxes.

The following tables summarize the changes in Coalition Revenues for the second quarter and first six months of 2012 from the comparable periods in 2011:

| In millions | | Second Quarter | | | | | | |
|--------------------|--|-------------------------|-----------|-----------|------------|---------------------|---------|------------|
| | | Outdoor & Action Sports | Jeanswear | Imagewear | Sportswear | Contemporary Brands | Other | Total |
| Coalition Revenues | 2011 | \$ 717.9 | \$ 613.4 | \$ 244.1 | \$ 120.3 | \$ 118.1 | \$ 26.3 | \$ 1,840.1 |
| | Organic growth | 113.4 | (5.2) | 8.2 | (2.8) | 6.9 | 4.6 | 125.1 |
| | Acquisition in prior year | 239.4 | | | | | | 239.4 |
| | Disposition in current year | | | | | (14.4) | | (14.4) |
| | Impact of foreign currency translation | (30.7) | (14.2) | (0.8) | | (2.7) | | (48.4) |
| Coalition Revenues | 2012 | \$ 1,040.0 | \$ 594.0 | \$ 251.5 | \$ 117.5 | \$ 107.9 | \$ 30.9 | \$ 2,141.8 |

| In millions | | Six Months | | | | | | |
|--------------------|--|-------------------------|------------|-----------|------------|---------------------|---------|------------|
| | | Outdoor & Action Sports | Jeanswear | Imagewear | Sportswear | Contemporary Brands | Other | Total |
| Coalition Revenues | 2011 | \$ 1,506.1 | \$ 1,292.6 | \$ 490.9 | \$ 232.2 | \$ 230.0 | \$ 47.1 | \$ 3,798.9 |
| | Organic growth | 247.8 | 64.4 | 39.1 | 8.2 | 22.9 | 7.2 | 389.6 |
| | Acquisition in prior year | 595.4 | | | | | | 595.4 |
| | Disposition in current year | | | | | (14.4) | | (14.4) |
| | Impact of foreign currency translation | (45.4) | (21.3) | (1.0) | | (3.6) | | (71.3) |
| Coalition Revenues | 2012 | \$ 2,303.9 | \$ 1,335.7 | \$ 529.0 | \$ 240.4 | \$ 234.9 | \$ 54.3 | \$ 4,698.2 |

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The following tables summarize the changes in Coalition Profit for the second quarter and first six months of 2012 from the comparable periods in 2011:

| In millions | | Second Quarter | | | | | | Total |
|------------------|--|-------------------------|-----------|-----------|------------|---------------------|----------|----------|
| | | Outdoor & Action Sports | Jeanswear | Imagewear | Sportswear | Contemporary Brands | Other | |
| Coalition Profit | 2011 | \$ 89.5 | \$ 94.4 | \$ 40.3 | \$ 11.7 | \$ 10.7 | \$ (0.1) | \$ 246.5 |
| | Organic growth | 25.5 | (0.2) | (9.7) | (0.2) | 2.6 | 0.4 | 18.4 |
| | Acquisition in prior year | (26.8) | | | | | | (26.8) |
| | Disposition in current year | | | | | (0.9) | | (0.9) |
| | Impact of foreign currency translation | (5.7) | (0.9) | (0.2) | | (0.4) | | (7.2) |
| Coalition Profit | 2012 | \$ 82.5 | \$ 93.3 | \$ 30.4 | \$ 11.5 | \$ 12.0 | \$ 0.3 | \$ 230.0 |

| In millions | | Six Months | | | | | | Total |
|------------------|--|-------------------------|-----------|-----------|------------|---------------------|----------|----------|
| | | Outdoor & Action Sports | Jeanswear | Imagewear | Sportswear | Contemporary Brands | Other | |
| Coalition Profit | 2011 | \$ 233.4 | \$ 217.5 | \$ 77.2 | \$ 19.1 | \$ 20.4 | \$ (2.1) | \$ 565.5 |
| | Organic growth | 70.0 | (12.4) | (3.6) | 3.1 | 7.9 | 0.9 | 65.9 |
| | Acquisition in prior year | (9.0) | | | | | | (9.0) |
| | Disposition in current year | | | | | (0.9) | | (0.9) |
| | Impact of foreign currency translation | (10.2) | (1.0) | (0.3) | | (0.6) | | (12.1) |
| Coalition Profit | 2012 | \$ 284.2 | \$ 204.1 | \$ 73.3 | \$ 22.2 | \$ 26.8 | \$ (1.2) | \$ 609.4 |

The following section discusses the change in revenues and profitability by coalition:

Outdoor & Action Sports:

| Dollars in millions | Second Quarter | | | Six Months | | |
|---------------------|----------------|----------|----------------|------------|------------|----------------|
| | 2012 | 2011 | Percent Change | 2012 | 2011 | Percent Change |
| Coalition Revenues | \$ 1,040.0 | \$ 717.9 | 44.9% | \$ 2,303.9 | \$ 1,506.1 | 53.0% |
| Coalition Profit | 82.5 | 89.5 | (7.8)% | 284.2 | 233.4 | 21.8% |
| Operating Margin | 7.9% | 12.5% | | 12.3% | 15.5% | |

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Global Outdoor & Action Sports revenues increased 45% in the second quarter of 2012, of which 12% related to organic growth and 33% related to the addition of Timberland. *The North Face*® and *Vans*® achieved global revenue growth of 14% and 25%, respectively, for the second quarter of 2012. Outdoor & Action Sports revenues in the Americas increased 32% in the second quarter of 2012 with 22 percentage points of the increase coming from the Timberland acquisition. International revenues rose 67% with 52 percentage points of the increase due to the inclusion of Timberland. Coalition revenues in Asia increased 95% in the second quarter of 2012 with 80 percentage points of the growth due to the inclusion of Timberland. Direct-to-consumer revenues rose 69% in the second quarter of 2012 with 57 percentage points of the growth due to the Timberland acquisition. *The North Face*® and the *Vans*® direct-to-consumer businesses increased 9% and 18%, respectively, in the second quarter of 2012. New store openings, comp store growth and an expanding e-commerce business all contributed to the direct-to-consumer revenue growth.

Global Outdoor & Action Sports revenues increased 53% in the first six months of 2012, of which 13% related to organic growth and 40% related to the addition of Timberland. Revenues in the Americas increased 37% in the first half of 2012 with 25 percentage points of the increase coming from the Timberland acquisition. International revenues rose 77% with 60 percentage points of the increase due to the inclusion of Timberland. Coalition revenues in Asia increased 116% in the first six months of 2012 with 90 percentage points of the growth due to the inclusion of Timberland. Direct-to-consumer revenues rose 71% in the first half of 2012 with 56 percentage points of the growth from the Timberland acquisition. *The North Face*® and the *Vans*® direct-to-consumer businesses increased 16% and 18%, respectively, in the first six months of 2012. New store openings, comp store growth and an expanding e-commerce business all contributed to the direct-to-consumer revenue growth.

Operating margins decreased in the second quarter and first six months of 2012, compared with the same periods in 2011, due to the inclusion of Timberland whose operating margin is below the Coalition average. Acquisition-related expenses for Timberland negatively impacted operating margins in the second quarter and first half of 2012 by 0.2% and 0.3%, respectively. Excluding Timberland, operating margins for the Outdoor & Action Sports Coalition increased to 13.6% and 17.2% in the second quarter and first six months of 2012, respectively, from 12.5% and 15.5% for the same periods in 2011. The improvement was primarily driven by operating margin increases from the *Vans*®, *Napapijri*®, *Reef*® and *Eastpak*® brands.

Jeanswear:

Dollars in millions

| | Second Quarter | | | Six Months | | |
|--------------------|----------------|----------|----------------|------------|------------|----------------|
| | 2012 | 2011 | Percent Change | 2012 | 2011 | Percent Change |
| Coalition Revenues | \$ 594.0 | \$ 613.4 | (3.2)% | \$ 1,335.7 | \$ 1,292.6 | 3.3% |
| Coalition Profit | 93.3 | 94.4 | (1.2)% | 204.1 | 217.5 | (6.2)% |
| Operating Margin | 15.7% | 15.4% | | 15.3% | 16.8% | |

Global Jeanswear revenues decreased 3% in the second quarter of 2012 compared to the 2011 quarter, reflecting a 2% impact of foreign currency translation as well as a shift in sales of spring seasonal products from the second quarter to the first quarter of 2012 for the Americas business. In addition, soft conditions in Europe, challenges in the mid-tier channel in the U.S. and the negative impact of foreign currency translation caused a decline in the *Lee*® brand revenues for the 2012 quarter. These revenue declines were partially offset by double-digit revenue growth in the Western Specialty and Asian businesses combined with strong sales of our newest brand, *Rock & Republic*®. Global Jeanswear revenues increased 3% in the first half of 2012 over the prior year period led by strong revenue growth in the Americas business.

The operating margin improved in the second quarter of 2012, as pricing increased compared to the prior period. However, for the first six months of 2012, operating margin declined compared to the 2011 period due to a continued impact from higher product costs, particularly in the first quarter of 2012, which were not fully recovered through price increases.

Table of Contents**Imagewear:**

Dollars in millions

| | Second Quarter | | | Six Months | | |
|--------------------|----------------|----------|----------------|------------|----------|----------------|
| | 2012 | 2011 | Percent Change | 2012 | 2011 | Percent Change |
| Coalition Revenues | \$ 251.5 | \$ 244.1 | 3.0% | \$ 529.0 | \$ 490.9 | 7.8% |
| Coalition Profit | 30.4 | 40.3 | (24.6)% | 73.3 | 77.2 | (5.1)% |
| Operating Margin | 12.1% | 16.5% | | 13.9% | 15.7% | |

The Imagewear Coalition consists of VF's Image business (occupational apparel and uniforms) and Licensed Sports business (licensed high profile sports and lifestyle apparel). The increase in Coalition revenues for the second quarter of 2012 was driven by the Licensed Sports business, which included (i) strong jersey sales for Major League Baseball, (ii) an increase in revenues from Harley Davidson apparel, and (iii) sales generated by 2012 locker room apparel rights in the National Hockey League. For the first half of 2012, the increase in Coalition revenues was due to the growth in the Licensed Sports business for the second quarter of 2012 as well as higher revenues in the Image protective apparel and industrial uniform businesses.

The decline in operating margin comparisons for the Imagewear Coalition in both 2012 periods was due entirely to higher product costs which peaked in the second quarter of 2012.

Sportswear:

Dollars in millions

| | Second Quarter | | | Six Months | | |
|--------------------|----------------|----------|----------------|------------|----------|----------------|
| | 2012 | 2011 | Percent Change | 2012 | 2011 | Percent Change |
| Coalition Revenues | \$ 117.5 | \$ 120.3 | (2.3)% | \$ 240.4 | \$ 232.2 | 3.5% |
| Coalition Profit | 11.5 | 11.7 | (1.7)% | 22.2 | 19.1 | 16.2% |
| Operating Margin | 9.8% | 9.7% | | 9.2% | 8.2% | |

The Sportswear Coalition consists of the *Nautica*® and *Kipling*® brand businesses in North America (the *Kipling*® brand outside of North America is managed by the Outdoor & Action Sports Coalition). Sportswear revenues declined 2% in the second quarter, with double-digit growth in *Kipling*® brand revenues offset by lower *Nautica*® brand revenues. While the full price wholesale and direct-to-consumer businesses for the *Nautica*® brand both achieved mid single-digit growth in the quarter, revenues were negatively impacted by a shift in timing of special program orders for specific customers as well as lower sales of distressed products in the quarter.

Revenues for the first half of 2012 for Sportswear were up 4% compared to the prior year period. This increase was primarily driven by double-digit growth in direct-to-consumer revenues from the *Kipling*® and *Nautica*® brand businesses.

Operating margin comparisons were flat for the second quarter of 2012 and increased slightly for the first half of 2012 compared to 2011 due to a lower percentage of sales of distressed products and a greater percentage of *Kipling*® brand revenues, which have higher margins than the Coalition average.

Table of Contents**Contemporary Brands:**

Dollars in millions

| | Second Quarter | | | Six Months | | |
|--------------------|----------------|----------|----------------|------------|----------|----------------|
| | 2012 | 2011 | Percent Change | 2012 | 2011 | Percent Change |
| Coalition Revenues | \$ 107.9 | \$ 118.1 | (8.6)% | \$ 234.9 | \$ 230.0 | 2.1% |
| Coalition Profit | 12.0 | 10.7 | 12.1% | 26.8 | 20.4 | 31.4% |
| Operating Margin | 11.1% | 9.1% | | 11.4% | 8.9% | |

Revenues for this Coalition were down 9% in the 2012 quarter with the decline due to the sale of John Varvatos on April 30, 2012. Excluding John Varvatos in both periods, revenues increased 4% for the 2012 quarter and 8% for the first half of 2012 compared to the prior year periods. The revenue increases (excluding John Varvatos in both periods) were driven by double-digit revenue growth in the *Splendid*[®] and *Ella Moss*[®] brands.

The operating margins increased in the second quarter and first six months of 2012, compared with the 2011 periods. Excluding John Varvatos in both periods, operating margins improved to 12.2% from 9.9% in the second quarter of 2012, and to 12.9% from 9.7% in the first half of 2012, primarily due to improvement in the *7 For All Mankind*[®] brand.

Table of Contents**Other:**

Dollars in millions

| | Second Quarter | | | Six Months | | |
|-------------------------|----------------|---------|----------------|------------|---------|----------------|
| | 2012 | 2011 | Percent Change | 2012 | 2011 | Percent Change |
| Revenues | \$ 30.9 | \$ 26.3 | 17.5% | \$ 54.3 | \$ 47.1 | 15.3% |
| Operating Profit (Loss) | 0.3 | (0.1) | | (1.2) | (2.1) | |
| Operating Margin | 1.0% | (0.4)% | | (2.2)% | (4.5)% | |

The *VF Outlet*[®] chain of stores in the United States sells VF and other branded products. Revenues and profits of VF products sold in these stores are reported as part of the operating results of the applicable coalition, while revenues and profits of non-VF products are reported in this Other category.

Reconciliation of Coalition Profit to Income Before Income Taxes:

There are two types of costs necessary to reconcile total Coalition Profit, as discussed in the preceding paragraphs, to consolidated Income Before Income Taxes. These costs are (i) Corporate and Other Expenses, discussed below, and (ii) Interest, Net, which was discussed in the previous Consolidated Statements of Income section.

Dollars in millions

| | Second Quarter | | | Six Months | | |
|------------------------------|----------------|-----------|----------------|------------|------------|----------------|
| | 2012 | 2011 | Percent Change | 2012 | 2011 | Percent Change |
| Corporate and Other Expenses | \$ (24.5) | \$ (60.6) | (59.6)% | \$ (88.0) | \$ (106.8) | (17.6)% |
| Interest, Net | (22.4) | (14.5) | 54.5% | (44.7) | (29.4) | 52.0% |

Corporate and Other Expenses include any corporate headquarters costs and other expenses that have not been allocated to the coalitions for internal management reporting. Other expenses include (i) domestic defined benefit pension plan costs other than service cost, (ii) costs of management information systems and the centralized finance, supply chain, human resources and customer management functions that support worldwide operations, (iii) costs of maintaining and enforcing VF trademarks, and (iv) miscellaneous consolidating adjustments.

The decrease in Corporate and Other Expenses in the second quarter and first six months of 2012 over the prior year periods resulted primarily from the \$41.7 million gain on the sale of John Varvatos recorded in the second quarter of 2012. Offsetting the decrease was (i) higher domestic defined benefit pension plan costs of \$8.4 million and \$16.7 million for the second quarter and first half of 2012, respectively, and (ii) higher levels of corporate spending and information systems costs due to the overall business growth.

Analysis of Financial Condition**Balance Sheets**

The Timberland acquisition on September 13, 2011 significantly increased the balances reported in the December 2011 and June 2012 Consolidated Balance Sheets as compared to the June 2011 balances. Accordingly, the table below presents certain June 2012 balance sheet accounts excluding the Timberland balances so that the VF excluding Timberland balances are comparable with the June 2011 balances.

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| In millions | June 2012 | | | | |
|--------------------------------|------------------------------|-------------|------------|-------------------------------|--------------------------|
| | December 2011 As Reported | As Reported | Timberland | VF excluding Timberland | June 2011 As Reported |
| Accounts receivable | \$ 1,120.2 | \$ 1,033.8 | \$ 121.7 | \$ 912.1 | \$ 889.2 |
| Inventories | 1,453.6 | 1,570.3 | 246.2 | 1,324.1 | 1,286.0 |
| Other current assets | 272.8 | 405.2 | 38.9 | 366.3 | 259.3 |
| Property, plant and equipment | 737.5 | 735.8 | 72.7 | 663.1 | 626.3 |
| Intangible assets and goodwill | 4,981.9 | 4,924.7 | 2,302.2 | 2,622.5 | 2,749.9 |
| Short-term borrowings | 281.7 | 681.8 | | 681.8 | 42.6 |
| Accounts payable | 637.1 | 506.7 | 54.2 | 452.5 | 456.1 |
| Accrued liabilities | 744.5 | 576.7 | 58.2 | 518.5 | 512.5 |
| Long-term debt | 1,831.8 | 1,830.5 | | 1,830.5 | 934.6 |
| Other liabilities | 1,290.1 | 1,303.5 | 585.4 | 718.1 | 581.4 |

The following discussion refers to significant changes in balances at June 2012 compared with December 2011, both on an as reported basis:

Accounts Receivable at June 2012 decreased over the December 2011 balance due to the seasonality of the business.

Inventories at June 2012 increased slightly over the December 2011 balance due to seasonality and higher product costs, which were offset by strong management controls over inventory.

Other Current Assets were higher at June 2012 compared to December 2011 primarily due to higher deferred and prepaid income tax balances.

Short-term Borrowings at June 2012 consisted of \$660.0 million of commercial paper borrowings and \$21.8 million under other international borrowing agreements. The increase over the December 2011 balance resulted from commercial paper borrowings to support working capital needs and share repurchases during 2012.

The change in Accounts Payable between June 2012 and December 2011 was driven by the timing of inventory purchases.

The decrease in Accrued Liabilities at June 2012 from December 2011 was due to (i) lower incentive compensation accruals, (ii) pay down of obligations related to the new Outdoor & Action Sports headquarters in the United States and (iii) a reduction of other general business accruals.

The following discussion refers to significant changes in balances at June 2012 for VF, excluding Timberland, compared with June 2011 on an as reported basis:

Accounts Receivable at June 2012 increased over the June 2011 balance due to growth in wholesale revenues, partially offset by an increase in balances sold under the accounts receivable sale agreement at June 2012.

Inventories at June 2012 increased over the June 2011 balance primarily due to higher product costs and increased unit volumes to support projected revenue growth.

Other Current Assets were higher at June 2012 compared to June 2011 primarily due to higher deferred income tax balances and increased prepaid expenses from the overall growth of VF's businesses.

Property, Plant and Equipment was higher at June 2012 than at June 2011, resulting from capital spending in excess of depreciation expense during those periods. Capital spending increased due to (i) the new European headquarters, (ii) the new headquarters for the Outdoor & Action Sports businesses in the United States, and (iii) new retail stores and distribution facilities.

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Total Intangible Assets and Goodwill at June 2012 were lower than June 2011 due primarily to amortization expense and foreign currency fluctuations.

The increase in Short-term Borrowings at June 2012 from the June 2011 balance resulted from commercial paper borrowings to support working capital needs and share repurchases during 2012.

The change in Accounts Payable between June 2012 and June 2011 was driven by the timing of inventory purchases.

Total Long-term Debt at June 2012 was higher than June 2011 due to the issuance of \$900.0 million of term debt in the third quarter of 2011 to fund the Timberland acquisition.

Other Liabilities at June 2012 were higher than June 2011 due to an increase in the underfunded status of the defined benefit pension plans.

Liquidity and Cash Flows

The financial condition of VF is reflected in the following:

| Dollars in millions | June 2012 | December 2011 | June 2011 |
|-----------------------------|--------------|------------------|--------------|
| Working capital | \$ 1,571.8 | \$ 1,521.9 | \$ 2,032.0 |
| Current ratio | 1.9 to 1 | 1.9 to 1 | 3.0 to 1 |
| Debt to total capital ratio | 35.7% | 31.9% | 18.7% |

For the ratio of debt to total capital, debt is defined as short-term and long-term borrowings, and total capital is defined as debt plus stockholders equity. The ratio of net debt to total net capital, (with net debt defined as debt less cash and equivalents and total net capital defined as total capital less cash and equivalents), was 32.6% at June 2012.

VF's primary source of liquidity is the strong cash flow provided by operating activities on an annual basis. Operating cash flow is dependent on the level of Net Income, changes in accounts receivable, investments in inventories and changes in other working capital components. Cash from operations is typically lower in the first half of the year as working capital is built to service operations in the second half of the year, when a greater percentage of VF's revenues are earned. Cash from operations is highest in the fourth quarter of the year, when accounts receivable are collected from seasonally higher wholesale sales in the third quarter. In addition, cash flows from the direct-to-consumer businesses are highest in the fourth quarter of the year.

For the six months ended June 2012, cash provided by operating activities was \$73.1 million, compared with \$42.3 million of cash used by operating activities in the comparable 2011 period. Net Income and the non-cash adjustments to reconcile Net Income to cash provided by operating activities both increased in the first six months of 2012 compared to the first half of 2011, offsetting the negative impact of changes in working capital components in the first six months of 2012. See discussion of these working capital changes in the Balance Sheets section above.

VF has an agreement with a financial institution to sell selected trade accounts receivable on a nonrecourse basis. This agreement allows VF to have up to \$237.5 million of accounts receivable held by the financial institution at any point in time. At the end of June 2012, accounts receivable in the Consolidated Balance Sheet had been reduced by \$135.5 million related to balances sold under this program, an increase of \$20.1 million from the amounts sold as of the end of 2011. At the end of June 2011, accounts receivable in the Consolidated Balance Sheet had been reduced by \$123.0 million related to balances sold under this program, an increase of \$10.7 million from the amounts sold as of the end of 2010.

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Investing activities in the first six months of 2012 included capital expenditures, software spending and the sale of John Varvatos. Capital spending to support continued growth could reach \$375 million for the full year 2012, for (i) the new European headquarters, (ii) the new headquarters for the Outdoor & Action Sports businesses in the United States, and (iii) new retail stores and distribution facilities. This spending will be funded by operating cash flows.

VF relies on continued strong cash generation to finance its ongoing operations. In addition, VF has significant liquidity from its available cash balances, credit facilities and strong credit ratings. VF has a credit facility that provides a \$1.25 billion senior unsecured revolving line of credit through December 2016 (the Global Credit Facility). The Global Credit Facility supports VF's issuance of up to \$1.25 billion of commercial paper to fund short-term seasonal working capital requirements and provides a sub-facility for standby letters of credit. Commercial paper borrowings and standby letters of credit issued as of June 2012 were \$660.0 million and \$20.8 million, respectively, leaving \$569.2 million available for borrowing against this facility at June 2012.

VF's favorable credit agency ratings allow for access to capital at competitive rates. At the end of June 2012, VF's long-term debt ratings were A minus by Standard & Poor's Ratings Services and A3 by Moody's Investors Service, and commercial paper ratings were A-2 and Prime-2, respectively, by those rating agencies. Both Moody's and Standard & Poor's currently have a negative outlook on VF's ratings given the higher debt levels resulting primarily from VF's acquisition of Timberland. None of VF's long-term debt agreements contain acceleration of maturity clauses based solely on changes in credit ratings. However, if there were a change in control of VF and, as a result of the change in control, the 2013, 2017, 2021 and 2037 notes were rated below investment grade by recognized rating agencies, then VF would be obligated to repurchase the notes at 101% of the aggregate principal amount of notes repurchased, plus any accrued and unpaid interest.

During the first six months of 2012, VF repurchased 2,008,600 of its shares at a cost of \$299.1 million (average price of \$148.91 per share). VF repurchased 54,999 shares at a cost of \$5.2 million (average price of \$93.93 per share) in the first half of 2011. The total remaining authorization for share repurchase approved by the VF Board of Directors is 4.5 million shares as of the end of June 2012. VF will continue to evaluate future share repurchases considering funding required for business acquisitions, VF's Common Stock price and levels of stock option exercises.

Management's Discussion and Analysis in the 2011 Form 10-K provided a table summarizing VF's contractual obligations and commercial commitments at the end of 2011 that would require the use of funds. Since the filing of the 2011 Form 10-K, there have been no material changes in the disclosed amounts, except as noted below:

Inventory purchase obligations representing binding commitments to purchase finished goods, raw materials and sewing labor in the ordinary course of business increased by approximately \$759.8 million at the end of June 2012 due to the seasonality of VF's businesses.

Minimum royalty and other commitments decreased by approximately \$20.6 million at the end of June 2012 due to payments made under the agreements.

Other purchase obligations decreased by approximately \$43.0 million at the end of June 2012 primarily related to (i) the expiration of service and maintenance contracts, (ii) the payment for the new headquarters for the Outdoor & Action Sports business in the United States and (iii) payments for other general purchase obligations.

Management believes that VF's cash balances and funds provided by operating activities, as well as unused bank credit lines, additional borrowing capacity and access to debt and equity markets, taken as a whole, provide (i) adequate liquidity to meet all of its current and long-term obligations when due, (ii) adequate liquidity to fund capital expenditures and to maintain its dividend payout policy and (iii) flexibility to meet investment opportunities that may arise.

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Recently Issued Accounting Standards

In December 2011, the FASB issued guidance enhancing disclosure requirements surrounding the nature of an entity's right of offset associated with its financial instruments and derivative instruments. The new guidance is effective January 2013 with retrospective application required. It is not expected to have a material effect on the consolidated financial statements.

In July 2012, the FASB issued an update to their accounting guidance regarding indefinite-lived intangible asset impairment testing and whether it is necessary to perform the quantitative impairment test currently required. The guidance is effective for interim and annual periods beginning after September 15, 2012, with early adoption permitted. The adoption of this pronouncement will not have a material impact on the consolidated financial statements.

Critical Accounting Policies and Estimates

Management has chosen accounting policies that it considers to be appropriate to accurately and fairly report VF's operating results and financial position in conformity with generally accepted accounting principles in the United States. Accounting policies are applied in a consistent manner. Significant accounting policies are summarized in Note A to the Consolidated Financial Statements included in the 2011 Form 10-K.

The application of these accounting policies requires management to make estimates and assumptions about future events and apply judgments that affect the reported amounts of assets, liabilities, revenues, expenses, contingent assets and liabilities, and related disclosures. These estimates, assumptions and judgments are based on historical experience, current trends and other factors believed to be reasonable under the circumstances. Management evaluates these estimates and assumptions and may retain outside consultants to assist in the evaluation. If actual results ultimately differ from previous estimates, the revisions are included in results of operations in the period in which the actual amounts become known.

The accounting policies that involve the most significant estimates, assumptions and management judgments used in preparation of the consolidated financial statements, or are the most sensitive to change from outside factors, are discussed in Management's Discussion and Analysis in the 2011 Form 10-K. There have been no material changes in these policies.

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Cautionary Statement on Forward-Looking Statements

From time to time, VF may make oral or written statements, including statements in this Quarterly Report that constitute forward-looking statements within the meaning of the federal securities laws. These include statements concerning plans, objectives, projections and expectations relating to VF's operations or economic performance, and assumptions related thereto. Forward-looking statements are made based on management's expectations and beliefs concerning future events impacting VF and therefore involve a number of risks and uncertainties. Forward-looking statements are not guarantees and actual results could differ materially from those expressed or implied in the forward-looking statements.

Potential risks and uncertainties that could cause the actual results of operations or financial condition of VF to differ materially from those expressed or implied by forward-looking statements in this Quarterly Report on Form 10-Q include, but are not limited to, the level of consumer confidence and overall level of consumer demand for apparel; fluctuations in the price, availability and quality of raw materials and contracted products; disruption to VF's distribution system; disruption and volatility in the global capital and credit markets; VF's reliance on a small number of large customers; the financial strength of VF's customers; VF's response to changing fashion trends; increasing pressure on margins; VF's ability to implement its growth strategy; VF's ability to grow its international and direct-to-consumer businesses; VF's ability to successfully integrate and grow acquisitions, including the Timberland acquisition; VF's ability to maintain the strength and security of its information technology systems; stability of VF's manufacturing facilities and foreign suppliers; continued use by VF's suppliers of ethical business practices; VF's ability to accurately forecast demand for products; continuity of members of VF's management; VF's ability to protect trademarks and other intellectual property rights; maintenance by VF's licensees and distributors of the value of VF's brands; foreign currency fluctuations; and legal, regulatory, political and economic risks in international markets. More information on potential factors that could affect VF's financial results is included from time to time in VF's public reports filed with the Securities and Exchange Commission, including VF's Annual Report on Form 10-K.

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Item 3 Quantitative and Qualitative Disclosures about Market Risk

There have been no significant changes in VF's market risk exposures from what was disclosed in Item 7A in the 2011 Form 10-K.

Item 4 Controls and Procedures

Disclosure controls and procedures:

Under the supervision of the Chief Executive Officer and Chief Financial Officer, a Disclosure Committee comprising various members of management has evaluated the effectiveness of the disclosure controls and procedures at VF and its subsidiaries as of the end of the period covered by this Quarterly Report (the Evaluation Date). Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded as of the Evaluation Date that such controls and procedures were effective.

Changes in internal control over financial reporting:

There have been no changes during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, VF's internal control over financial reporting.

Part II Other Information

Item 1 Legal Proceedings

Information on VF's legal proceedings is set forth under Part I, Item 3, Legal Proceedings, in the 2011 Form 10-K. There have been no material changes to the legal proceedings from those described in the 2011 Form 10-K.

Item 1A Risk Factors

You should carefully consider the risk factors set forth under Part I, Item 1A, Risk Factors, in the 2011 Form 10-K. There have been no material changes to the risk factors from those disclosed in the 2011 Form 10-K.

Table of Contents**Item 2 Unregistered Sales of Equity Securities and Use of Proceeds**

(c) Issuer purchases of equity securities:

| | | Total Number of Shares Purchased | Weighted Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Programs | Maximum Number of Shares that May Yet be Purchased Under the Program (1) |
|----------------------------|----------------|---|---|---|--|
| Second Quarter 2012 | | | | | |
| April 1 | April 28, 2012 | | \$ | | 4,490,996 |
| April 29 | May 26, 2012 | 5,500 | 139.33 | 5,500 | 4,485,496 |
| May 27 | June 30, 2012 | 1,500 | 137.85 | 1,500 | 4,483,996 |
| Total | | 7,000 | | 7,000 | |

- (1) During the quarter, 7,000 shares of Common Stock were purchased in connection with VF's deferred compensation plans. VF will continue to evaluate future share repurchases considering funding required for business acquisitions, VF's Common Stock price and levels of stock option exercises.

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Item 6 Exhibits

| | |
|---------|---|
| 31.1 | Certification of the principal executive officer, Eric C. Wiseman, pursuant to 15 U.S.C. Section 10A, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of the principal financial officer, Robert K. Shearer, pursuant to 15 U.S.C. Section 10A, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certification of the principal executive officer, Eric C. Wiseman, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Certification of the principal financial officer, Robert K. Shearer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 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 |

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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.

V.F. CORPORATION

(Registrant)

By: /s/ Robert K. Shearer
Robert K. Shearer
Senior Vice President and Chief Financial Officer
(Chief Financial Officer)

Date: August 8, 2012

By: /s/ Bradley W. Batten
Bradley W. Batten
Vice President - Controller
(Chief Accounting Officer)