# 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 September 27, 2014**

**Commission file number: 1-5256**

# V. F. CORPORATION
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Pennsylvania**<br>**(State or other jurisdiction of incorporation or organization)** | **23-1180120**<br>**(I.R.S. employer identification number)** |

**105 Corporate Center Boulevard**
**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 October 25, 2014, there were 431,872,268 shares of the registrant's common stock outstanding.

**VF CORPORATION**

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**Part I — Financial Information**

**Item 1 — Financial Statements (Unaudited)**

**VF CORPORATION**

**Consolidated Balance Sheets**
**(Unaudited)**
**(In thousands, except share amounts)**

| | September 2014 | December 2013 | September 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and equivalents | $ 496,500 | $ 776,403 | $ 315,661 |
| Accounts receivable, less allowance for doubtful accounts of: September 2014 – $39,950; December 2013 – $45,350; September 2013 – $56,733 | 1,764,636 | 1,360,443 | 1,663,118 |
| Inventories | 1,822,162 | 1,399,062 | 1,752,284 |
| Other current assets | 440,915 | 347,074 | 362,841 |
| Total current assets | 4,524,213 | 3,882,982 | 4,093,904 |
| **Property, plant and equipment** | 940,193 | 932,792 | 904,809 |
| **Intangible assets** | 2,785,651 | 2,960,201 | 2,939,371 |
| **Goodwill** | 1,989,871 | 2,021,750 | 2,014,717 |
| **Other assets** | 575,948 | 517,718 | 499,260 |
| Total assets | $10,815,876 | $ 10,315,443 | $ 10,452,061 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | |
| **Current liabilities** | | | |
| Short-term borrowings | $ 654,839 | $ 18,810 | $ 468,310 |
| Current portion of long-term debt | 4,374 | 5,167 | 2,987 |
| Accounts payable | 674,950 | 638,732 | 659,135 |
| Accrued liabilities | 932,315 | 905,292 | 924,228 |
| Total current liabilities | 2,266,478 | 1,568,001 | 2,054,660 |
| **Long-term debt** | 1,424,311 | 1,426,829 | 1,427,138 |
| **Other liabilities** | 1,262,727 | 1,243,575 | 1,341,386 |
| **Commitments and contingencies** | | | |
| **Stockholders' equity** | | | |
| Preferred Stock, par value $1; shares authorized, 25,000,000; no shares outstanding at September 2014, December 2013 or September 2013 | — | — | — |
| Common Stock, stated value $0.25; shares authorized, 1,200,000,000; shares outstanding at September 2014 – 431,649,948; December 2013 – 440,310,370; September 2013 – 439,220,044 | 107,912 | 110,078 | 109,805 |
| Additional paid-in capital | 2,923,024 | 2,746,590 | 2,702,110 |
| Accumulated other comprehensive income (loss) | (418,235) | (211,720) | (365,970) |
| Retained earnings | 3,249,659 | 3,432,090 | 3,182,932 |
| Total stockholders' equity | 5,862,360 | 6,077,038 | 5,628,877 |
| Total liabilities and stockholders' equity | $10,815,876 | $ 10,315,443 | $ 10,452,061 |

See notes to consolidated financial statements.

## VF CORPORATION

**Consolidated Statements of Income**
**(Unaudited)**
**(In thousands, except per share amounts)**

| | Three Months Ended September 2014 | Three Months Ended September 2013 | Nine Months Ended September 2014 | Nine Months Ended September 2013 |
|---|---|---|---|---|
| **Net sales** | $ 3,486,998 | $ 3,266,681 | $ 8,610,521 | $ 8,043,638 |
| **Royalty income** | 33,449 | 30,588 | 92,780 | 85,911 |
| **Total revenues** | 3,520,447 | 3,297,269 | 8,703,301 | 8,129,549 |
| **Costs and operating expenses** | | | | |
| Cost of goods sold | 1,818,655 | 1,728,144 | 4,464,565 | 4,226,779 |
| Selling, general and administrative expenses | 1,068,710 | 989,422 | 2,982,656 | 2,764,005 |
| | 2,887,365 | 2,717,566 | 7,447,221 | 6,990,784 |
| **Operating income** | 633,082 | 579,703 | 1,256,080 | 1,138,765 |
| Interest income | 1,852 | 1,259 | 4,702 | 2,564 |
| Interest expense | (22,555) | (21,246) | (64,530) | (63,788) |
| Other income (expense), net | (1,609) | (1,250) | (4,209) | (1,723) |
| **Income before income taxes** | 610,770 | 558,466 | 1,192,043 | 1,075,818 |
| **Income taxes** | 140,241 | 124,705 | 266,639 | 233,366 |
| **Net income** | $ 470,529 | $ 433,761 | $ 925,404 | $ 842,452 |
| **Earnings per common share** | | | | |
| Basic | $ 1.09 | $ 0.99 | $ 2.14 | $ 1.92 |
| Diluted | 1.08 | 0.97 | 2.10 | 1.89 |
| **Cash dividends per common share** | $ 0.2625 | $ 0.2175 | $ 0.7875 | $ 0.6525 |

See notes to consolidated financial statements.

## VF CORPORATION

**Consolidated Statements of Comprehensive Income**
**(Unaudited)**
**(In thousands)**

| | Three Months Ended September 2014 | Three Months Ended September 2013 | Nine Months Ended September 2014 | Nine Months Ended September 2013 |
|---|---|---|---|---|
| **Net income** | $ 470,529 | $ 433,761 | $ 925,404 | $ 842,452 |
| **Other comprehensive income (loss)** | | | | |
| Foreign currency translation | | | | |
| Gains (losses) arising during the period | (235,077) | 99,395 | (271,811) | 60,374 |
| Less income tax effect | 3,293 | (933) | 3,905 | (560) |
| Defined benefit pension plans | | | | |
| Amortization of net deferred actuarial losses | 9,385 | 21,333 | 28,158 | 64,021 |
| Amortization of deferred prior service costs | 1,361 | 317 | 4,085 | 974 |
| Less income tax effect | (4,521) | (8,473) | (12,754) | (26,065) |
| Derivative financial instruments | | | | |
| Gains (losses) arising during the period | 51,351 | (54,432) | 43,586 | (2,032) |
| Less income tax effect | (20,180) | 21,391 | (17,129) | 797 |
| Reclassification to net income for (gains) losses realized | 12,911 | (6,571) | 25,734 | (15,707) |
| Less income tax effect | (5,074) | 2,583 | (10,113) | 6,173 |
| Marketable securities | | | | |
| Gains (losses) arising during the period | 871 | 479 | (289) | 9 |
| Less income tax effect | (343) | (188) | 113 | (59) |
| Other comprehensive income (loss) | (186,023) | 74,901 | (206,515) | 87,925 |
| **Comprehensive income** | $ 284,506 | $ 508,662 | $ 718,889 | $ 930,377 |

See notes to consolidated financial statements.

## VF CORPORATION

**Consolidated Statements of Cash Flows**
**(Unaudited)**
**(In thousands)**

| | Nine Months Ended September | |
|---|---|---|
| | 2014 | 2013 |
| **Operating activities** | | |
| Net income | $ 925,404 | $ 842,452 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation | 126,339 | 112,989 |
| Amortization of intangible assets | 33,680 | 34,450 |
| Other amortization | 40,500 | 33,670 |
| Stock-based compensation | 77,440 | 70,258 |
| Provision for doubtful accounts | 5,195 | 14,747 |
| Pension expense in excess of (less than) contributions | 29,791 | (45,669) |
| Other, net | 86,241 | 65,740 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (467,399) | (455,712) |
| Inventories | (454,849) | (399,396) |
| Other current assets | (59,472) | (44,488) |
| Accounts payable | 46,060 | 96,246 |
| Accrued compensation | 17,005 | 9,816 |
| Accrued income taxes | (113,401) | (61,003) |
| Accrued liabilities | 82,037 | 133,646 |
| Other assets and liabilities | (7,725) | 10,330 |
| Cash provided by operating activities | 366,846 | 418,076 |
| **Investing activities** | | |
| Capital expenditures | (171,606) | (203,469) |
| Software purchases | (66,815) | (41,923) |
| Other, net | (16,612) | (9,896) |
| Cash used by investing activities | (255,033) | (255,288) |
| **Financing activities** | | |
| Net increase in short-term borrowings | 637,786 | 457,856 |
| Payments on long-term debt | (3,549) | (402,141) |
| Purchases of treasury stock | (727,536) | (283,433) |
| Cash dividends paid | (340,690) | (286,790) |
| Proceeds from issuance of Common Stock, net of shares withheld for taxes | 9,433 | 30,902 |
| Tax benefits of stock-based compensation | 47,786 | 41,946 |
| Cash used by financing activities | (376,770) | (441,660) |
| **Effect of foreign currency rate changes on cash and equivalents** | (14,946) | (2,928) |
| **Net change in cash and equivalents** | (279,903) | (281,800) |
| **Cash and equivalents — beginning of year** | 776,403 | 597,461 |
| **Cash and equivalents — end of period** | $ 496,500 | $ 315,661 |

See notes to consolidated financial statements.

## VF CORPORATION

**Consolidated Statements of Stockholders' Equity**
**(Unaudited)**
**(In thousands, except share amounts)**

| | Common Stock Shares | Common Stock Amounts | Additional Paid-in Capital | Accumulated Other Comprehensive Income (Loss) | Retained Earnings |
|---|---|---|---|---|---|
| **Balance, December 2012** | 440,818,936 | $110,205 | $2,527,868 | $ (453,895) | $2,941,447 |
| Net income | — | — | — | — | 1,210,119 |
| Dividends on Common Stock | — | — | — | — | (402,136) |
| Purchases of treasury stock | (6,849,160) | (1,712) | — | — | (280,408) |
| Stock-based compensation, net | 6,340,594 | 1,585 | 218,722 | — | (36,932) |
| Foreign currency translation | — | — | — | 110,715 | — |
| Defined benefit pension plans | — | — | — | 143,087 | — |
| Derivative financial instruments | — | — | — | (12,324) | — |
| Marketable securities | — | — | — | 697 | — |
| **Balance, December 2013** | 440,310,370 | 110,078 | 2,746,590 | (211,720) | 3,432,090 |
| Net income | — | — | — | — | 925,404 |
| Dividends on Common Stock | — | — | — | — | (340,690) |
| Purchases of treasury stock | (12,033,300) | (3,008) | — | — | (724,528) |
| Stock-based compensation, net | 3,372,878 | 842 | 176,434 | — | (42,617) |
| Foreign currency translation | — | — | — | (267,906) | — |
| Defined benefit pension plans | — | — | — | 19,489 | — |
| Derivative financial instruments | — | — | — | 42,078 | — |
| Marketable securities | — | — | — | (176) | — |
| **Balance, September 2014** | 431,649,948 | $107,912 | $2,923,024 | $ (418,235) | $3,249,659 |

See notes to consolidated financial statements.

## Note A – Basis of Presentation

VF Corporation (together with 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 September 2014, December 2013 and September 2013 relate to the fiscal periods ended on September 27, 2014, December 28, 2013 and September 28, 2013, 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 2013 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 nine months ended September 2014 are not necessarily indicative of results that may be expected for any other interim period or for the year ending January 3, 2015. 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 2013 ("2013 Form 10-K").

Concessions are retail store locations, which are all outside the U.S., where VF is responsible for all aspects of operations without ownership of the retail space. Under typical concession arrangements, VF pays a concession fee for use of the space based on a percentage of retail sales. Effective fiscal 2014, VF has included all concession fees as a component of selling, general and administrative expenses instead of the previous treatment as an offset to revenue in the Consolidated Statement of Income. The change in classification did not impact operating income. The impact on prior periods is not material and thus, comparative numbers have not been restated.

## Note B – Sale of Accounts Receivable

VF has an agreement with a financial institution to sell selected trade accounts receivable on a recurring, nonrecourse basis. Under the agreement, up to $237.5 million of accounts receivable may be sold to the financial institution and remain outstanding at any point in time. After the sale, VF does not retain any interests in the accounts receivable and removes them from the Consolidated Balance Sheets, but continues to service and collect outstanding accounts receivable on behalf of the financial institution. At September 2014, December 2013 and September 2013, accounts receivable had been reduced by $172.0 million, $136.4 million and $155.0 million, respectively, related to this program. During the first nine months of 2014, VF sold $916.3 million of accounts receivable at their stated amounts, less a funding fee charged by the financial institution. The funding fee is recorded in other income (expense), net, and totaled $1.2 million for the first nine months of 2014. Net proceeds of this program are classified in operating activities in the Consolidated Statements of Cash Flows.

## Note C – Inventories

| In thousands | September 2014 | December 2013 | September 2013 |
|---|---|---|---|
| Finished products | $1,570,512 | $1,159,555 | $1,496,419 |
| Work in process | 101,037 | 94,586 | 99,367 |
| Raw materials | 150,613 | 144,921 | 156,498 |
| Total inventories | $1,822,162 | $1,399,062 | $1,752,284 |

## Note D – Property, Plant and Equipment

| In thousands | September 2014 | December 2013 | September 2013 |
|---|---|---|---|
| Land and improvements | $ 57,626 | $ 56,828 | $ 52,879 |
| Buildings and improvements | 996,208 | 953,931 | 948,628 |
| Machinery and equipment | 1,227,551 | 1,159,221 | 1,130,388 |
| Property, plant and equipment, at cost | 2,281,385 | 2,169,980 | 2,131,895 |
| Less accumulated depreciation and amortization | 1,341,192 | 1,237,188 | 1,227,086 |
| Property, plant and equipment, net | $ 940,193 | $ 932,792 | $ 904,809 |

## Note E – Intangible Assets

| Dollars in thousands | Weighted Average Amortization Period | Amortization Methods | September 2014 Cost | September 2014 Accumulated Amortization | September 2014 Net Carrying Amount | December 2013 Net Carrying Amount |
|---|---|---|---|---|---|---|
| Amortizable intangible assets: | | | | | | |
| Customer relationships | 20 years | Accelerated | $607,488 | $ 229,554 | $ 377,934 | $ 417,439 |
| License agreements | 24 years | Accelerated and straight-line | 183,496 | 84,262 | 99,234 | 107,789 |
| Other | 9 years | Straight-line | 13,111 | 8,165 | 4,946 | 6,524 |
| Amortizable intangible assets, net | | | | | $ 482,114 | 531,752 |
| Indefinite-lived intangible assets: | | | | | | |
| Trademarks and trade names | | | | | 2,303,537 | 2,428,449 |
| Intangible assets, net | | | | | $2,785,651 | $ 2,960,201 |

Amortization expense for the third quarter and first nine months of 2014 was $11.2 million and $33.7 million, respectively. Based on existing levels of amortizable intangible assets noted above, estimated amortization expense for the next five years is:

| In millions<br>Year | Estimated Amortization Expense |
|---|---|
| 2014 | $ 44.6 |
| 2015 | 41.8 |
| 2016 | 40.5 |
| 2017 | 39.3 |
| 2018 | 38.7 |

## Note F – Goodwill

Changes in goodwill are summarized by business segment as follows:

| In thousands | Outdoor & Action Sports | Jeanswear | Imagewear | Sportswear | Contemporary Brands | Total |
|---|---|---|---|---|---|---|
| Balance, December 2013 | $ 1,434,898 | $228,430 | $ 58,747 | $ 157,314 | $ 142,361 | $2,021,750 |
| Currency translation | (26,839) | (5,040) | — | — | — | (31,879) |
| Balance, September 2014 | $ 1,408,059 | $223,390 | $ 58,747 | $ 157,314 | $ 142,361 | $1,989,871 |

Accumulated impairment charges for the Outdoor & Action Sports, Sportswear and Contemporary Brands Coalitions were $43.4 million, $58.5 million and $195.2 million, respectively, for the periods presented above. No impairment charges were recorded in the first nine months of 2014.

**Note G – Pension Plans**

The components of pension cost for VF's defined benefit plans were as follows:

| In thousands | Three Months Ended September 2014 | Three Months Ended September 2013 | Nine Months Ended September 2014 | Nine Months Ended September 2013 |
|---|---|---|---|---|
| Service cost – benefits earned during the period | $ 6,046 | $ 6,346 | $ 18,228 | $ 19,566 |
| Interest cost on projected benefit obligations | 20,387 | 17,988 | 61,180 | 54,017 |
| Expected return on plan assets | (22,682) | (23,635) | (68,060) | (70,945) |
| Amortization of deferred amounts: | | | | |
| Net deferred actuarial losses | 9,385 | 21,333 | 28,158 | 64,021 |
| Deferred prior service costs | 1,361 | 317 | 4,085 | 974 |
| Net periodic pension cost | $ 14,497 | $ 22,349 | $ 43,591 | $ 67,633 |

During the first nine months of 2014, VF contributed $13.8 million to its defined benefit plans. VF intends to make approximately $6.7 million of additional contributions during the remainder of 2014.

**Note H – Capital and Accumulated Other Comprehensive Income (Loss)**

During the first nine months of 2014, the Company purchased 12.0 million shares of Common Stock in open market transactions for $725.5 million under its share repurchase program authorized by VF's Board of Directors. These transactions were treated as treasury stock transactions.

Common Stock outstanding is net of shares held in treasury which are, in substance, retired. During the first nine months of 2014, VF restored 12.1 million treasury shares to an unissued status; accordingly, they are no longer recognized as shares held in treasury. There were no shares held in treasury at the end of September 2014 or December 2013, and 17.0 million shares held in treasury at the end of September 2013 which were restored to an unissued status during the following quarter. The excess of the cost of treasury shares acquired over the $0.25 per share stated value of Common Stock is deducted from retained earnings.

VF Common Stock is also held by the Company's deferred compensation plans and is treated as treasury shares for financial reporting purposes. During the first nine months of 2014, the Company purchased 33,300 shares of Common Stock in open market transactions for $2.0 million. Balances related to shares held for deferred compensation plans are as follows:

| In millions, except share amounts | September 2014 | December 2013 | September 2013 |
|---|---|---|---|
| Shares held for deferred compensation plans | 640,404 | 704,104 | 705,664 |
| Cost of shares held for deferred compensation plans | $ 7.6 | $ 8.4 | $ 8.2 |

*Accumulated Other Comprehensive Income (Loss)*

Comprehensive income consists of 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 OCI are reported, net of related income taxes, in accumulated other comprehensive income (loss) in stockholders' equity, as follows:

| In thousands | September 2014 | December 2013 | September 2013 |
|---|---|---|---|
| Foreign currency translation | $(161,259) | $ 106,647 | $ 55,746 |
| Defined benefit pension plans | (257,962) | (277,451) | (381,608) |
| Derivative financial instruments | 324 | (41,754) | (40,199) |
| Marketable securities | 662 | 838 | 91 |
| Accumulated other comprehensive income (loss) | $(418,235) | $(211,720) | $(365,970) |

The changes in accumulated other comprehensive income (loss), net of related taxes, are as follows:

| | Three Months Ended September 2014 | | | | |
|---|---|---|---|---|---|
| In thousands | Foreign Currency Translation | Defined Benefit Pension Plans | Derivative Financial Instruments | Marketable Securities | Total |
| Balance, June 2014 | $ 70,525 | $ (264,187) | $ (38,684) | $ 134 | $(232,212) |
| Other comprehensive income (loss) before reclassifications | (231,784) | — | 31,171 | 528 | (200,085) |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | 6,225 | 7,837 | — | 14,062 |
| Net other comprehensive income (loss) | (231,784) | 6,225 | 39,008 | 528 | (186,023) |
| Balance, September 2014 | $(161,259) | $ (257,962) | $ 324 | $ 662 | $(418,235) |

| | Three Months Ended September 2013 | | | | |
|---|---|---|---|---|---|
| In thousands | Foreign Currency Translation | Defined Benefit Pension Plans | Derivative Financial Instruments | Marketable Securities | Total |
| Balance, June 2013 | $ (42,716) | $ (394,785) | $ (3,170) | $ (200) | $(440,871) |
| Other comprehensive income (loss) before reclassifications | 98,462 | — | (33,041) | 291 | 65,712 |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | 13,177 | (3,988) | — | 9,189 |
| Net other comprehensive income (loss) | 98,462 | 13,177 | (37,029) | 291 | 74,901 |
| Balance, September 2013 | $ 55,746 | $ (381,608) | $ (40,199) | $ 91 | $(365,970) |

| | Nine Months Ended September 2014 | | | | |
|---|---|---|---|---|---|
| In thousands | Foreign Currency Translation | Defined Benefit Pension Plans | Derivative Financial Instruments | Marketable Securities | Total |
| Balance, December 2013 | $ 106,647 | $ (277,451) | $ (41,754) | $ 838 | $(211,720) |
| Other comprehensive income (loss) before reclassifications | (267,906) | — | 26,457 | (176) | (241,625) |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | 19,489 | 15,621 | — | 35,110 |
| Net other comprehensive income (loss) | (267,906) | 19,489 | 42,078 | (176) | (206,515) |
| Balance, September 2014 | $(161,259) | $ (257,962) | $ 324 | $ 662 | $(418,235) |

| | Nine Months Ended September 2013 | | | | |
|---|---|---|---|---|---|
| In thousands | Foreign Currency Translation | Defined Benefit Pension Plans | Derivative Financial Instruments | Marketable Securities | Total |
| Balance, December 2012 | $ (4,068) | $ (420,538) | $ (29,430) | $ 141 | $(453,895) |
| Other comprehensive income (loss) before reclassifications | 59,814 | — | (1,235) | (50) | 58,529 |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | 38,930 | (9,534) | — | 29,396 |
| Net other comprehensive income (loss) | 59,814 | 38,930 | (10,769) | (50) | 87,925 |
| Balance, September 2013 | $ 55,746 | $ (381,608) | $ (40,199) | $ 91 | $(365,970) |

Reclassifications out of accumulated other comprehensive income (loss) are as follows:

| In thousands<br>**Details About Accumulated Other Comprehensive Income (Loss) Components** | **Affected Line Item in the Consolidated Statements of Income** | **Three Months Ended September** | | **Nine Months Ended September** | |
|---|---|---|---|---|---|
| | | **2014** | **2013** | **2014** | **2013** |
| Amortization of defined benefit pension plans: | | | | | |
| Net deferred actuarial losses | (a) | $ (9,385) | $(21,333) | $(28,158) | $(64,021) |
| Deferred prior service costs | (a) | (1,361) | (317) | (4,085) | (974) |
| | Total before tax | (10,746) | (21,650) | (32,243) | (64,995) |
| | Tax benefit (expense) | 4,521 | 8,473 | 12,754 | 26,065 |
| | Net of tax | $ (6,225) | $(13,177) | $(19,489) | $(38,930) |
| Gains (losses) on derivative financial instruments: | | | | | |
| Foreign exchange contracts | Net sales | $ (7,657) | $ 6,195 | $ (7,539) | $ 7,418 |
| Foreign exchange contracts | Cost of goods sold | (3,496) | 3,574 | (13,199) | 11,115 |
| Foreign exchange contracts | Other income (expense), net | (730) | (2,218) | (1,945) | 83 |
| Interest rate contracts | Interest expense | (1,028) | (980) | (3,051) | (2,909) |
| | Total before tax | (12,911) | 6,571 | (25,734) | 15,707 |
| | Tax benefit (expense) | 5,074 | (2,583) | 10,113 | (6,173) |
| | Net of tax | $ (7,837) | $ 3,988 | $(15,621) | $ 9,534 |
| Total reclassifications for the period | Net of tax | $(14,062) | $ (9,189) | $(35,110) | $(29,396) |

(a) These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension cost (see Note G for additional details).

**Note I – Stock-based Compensation**

During the first nine months of 2014, VF granted options to employees and nonemployee members of VF's Board of Directors to purchase 2,825,207 shares of Common Stock at a weighted average exercise price of $56.86 per share. The exercise price of each option granted was equal to the fair market value of VF Common Stock on the date of grant. Employee stock options vest in equal annual installments over three years. Options granted to nonemployee members of VF's Board of Directors become exercisable one year from the date of grant. The grant date fair value of each option award is calculated using a lattice option–pricing valuation model, which incorporates a range of assumptions for inputs as follows:

| | **Nine Months Ended September 2014** |
|---|---|
| Expected volatility | 23% to 29% |
| Weighted average expected volatility | 26% |
| Expected term (in years) | 5.5 to 7.3 |
| Dividend yield | 2.1% |
| Risk-free interest rate | 0.1% to 2.7% |
| Weighted average fair value at date of grant | $12.01 |

Also during the first nine months of 2014, VF granted 586,769 performance-based restricted stock units ("RSU") to employees that enable them to receive shares of VF Common Stock at the end of a three-year period. Each RSU has a potential final value ranging from zero to two shares of VF Common Stock. The number of shares earned by participants, if any, is based on achievement of a three-year profitability goal and annually established performance goals set by the Compensation Committee of the Board of Directors. Shares are issued to participants in the year following the conclusion of each three-year performance period. The weighted average fair market value of VF Common Stock at the date the units were granted was $56.86 per share.

The actual number of performance-based RSUs earned may also be adjusted upward or downward by 25% of the target award, based on how VF's total shareholder return ("TSR") over the three-year period compares to the TSR for companies included in the Standard & Poor's 500 Index. The weighted average grant date fair value of the TSR-based adjustment related to the 2014 RSU grants was determined using a Monte Carlo simulation technique that incorporates option-pricing model inputs, and was $1.41 per share.

VF granted 12,595 nonperformance-based restricted stock units to nonemployee members of the Board of Directors during the first nine months of 2014. 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 Common Stock at the date the units were granted was $56.79 per share.

VF granted 17,000 nonperformance-based restricted stock units to employees during the first nine months of 2014. These units vest four years from the date of grant and each unit entitles the holder to one share of VF Common Stock. The fair market value of VF Common Stock at the date the units were granted was $58.89 per share.

VF granted 155,100 restricted shares of VF Common Stock to employees during the first nine months of 2014. These shares generally vest four years from the date of grant. The weighted average fair market value of VF Common Stock at the date the units were granted was $60.21 per share.

**Note J – Income Taxes**

The effective income tax rate for the first nine months of 2014 was 22.4% compared with 21.7% in the first nine months of 2013. The first nine months of 2014 included a net discrete tax benefit of $17.7 million, which included $4.1 million of prior year refund claims and $10.1 million of net tax benefits related to the realization of previously unrecognized tax benefits and interest, reducing the effective income tax rate by 1.5%. The first nine months of 2013 included a net discrete tax benefit of $19.0 million, which included $8.3 million of tax benefits related to the extension of certain tax credits and other provisions of the Internal Revenue Code enacted in 2013 which were retroactive to 2012, and $6.9 million of net tax benefits related to the realization of previously unrecognized tax benefits and interest, reducing the effective income tax rate by 1.8%. Without discrete items, the effective tax rate for the first nine months of 2014 increased by 0.4% compared with the 2013 period primarily due to the impact of tax law changes in the U.S.

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 the U.S., the Internal Revenue Service ("IRS") examination for tax years 2007, 2008 and 2009 was completed in 2012. VF has appealed the results of the 2007 to 2009 examination to the IRS Appeals office. Tax years prior to 2007 have been effectively settled with the IRS. The IRS commenced its examination of VF's 2010 and 2011 tax returns during the fourth quarter of 2013, and such examination is still ongoing. During the second quarter of 2014, the IRS completed its examination of Timberland's 2010 tax return. The examination of Timberland's 2011 tax return is still ongoing. In addition, VF is currently subject to examinations by various state and foreign tax authorities. Management regularly assesses the potential outcomes of both ongoing and future examinations for the current and prior years, and has concluded that VF's provision for income taxes is adequate. The outcome of any one examination is not expected to have a material impact on VF's consolidated financial statements. Management believes that some of these examinations and negotiations will conclude during the next 12 months.

During the first nine months of 2014, the amount of net unrecognized tax benefits and associated interest decreased by $1.9 million to $107.7 million. Management believes that it is reasonably possible that the amount of unrecognized income tax benefits and interest may decrease during the next 12 months by approximately $31.7 million related to the completion of examinations and other settlements with tax authorities and the expiration of statutes of limitations, of which $26.5 million would reduce income tax expense.

**Note K – 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 segments. Financial information for VF's reportable segments is as follows:

| | Three Months Ended September | | Nine Months Ended September | |
|---|---|---|---|---|
| In thousands | 2014 | 2013 | 2014 | 2013 |
| Coalition revenues: | | | | |
| Outdoor & Action Sports | $ 2,180,879 | $ 1,971,963 | $ 5,034,670 | $ 4,459,845 |
| Jeanswear | 750,446 | 747,241 | 2,046,614 | 2,076,919 |
| Imagewear | 292,531 | 284,480 | 805,733 | 779,064 |
| Sportswear | 163,442 | 155,208 | 435,049 | 416,919 |
| Contemporary Brands | 99,382 | 104,998 | 293,737 | 307,339 |
| Other | 33,767 | 33,379 | 87,498 | 89,463 |
| Total coalition revenues | $ 3,520,447 | $ 3,297,269 | $ 8,703,301 | $ 8,129,549 |
| Coalition profit: | | | | |
| Outdoor & Action Sports | $ 475,444 | $ 421,177 | $ 880,618 | $ 748,137 |
| Jeanswear | 156,998 | 158,334 | 386,401 | 410,551 |
| Imagewear | 42,855 | 40,698 | 115,944 | 107,343 |
| Sportswear | 22,979 | 23,987 | 45,801 | 52,481 |
| Contemporary Brands | 4,869 | 9,456 | 21,611 | 29,910 |
| Other | 1,193 | (47) | (1,997) | (2,195) |
| Total coalition profit | 704,338 | 653,605 | 1,448,378 | 1,346,227 |
| Corporate and other expenses | (72,865) | (75,152) | (196,507) | (209,185) |
| Interest expense, net | (20,703) | (19,987) | (59,828) | (61,224) |
| Income before income taxes | $ 610,770 | $ 558,466 | $ 1,192,043 | $ 1,075,818 |

**Note L – Earnings Per Share**

| | Three Months Ended September | | Nine Months Ended September | |
|---|---|---|---|---|
| In thousands, except per share amounts | 2014 | 2013 | 2014 | 2013 |
| Earnings per share – basic: | | | | |
| Net income | $ 470,529 | $ 433,761 | $ 925,404 | $ 842,452 |
| Weighted average common shares outstanding | 430,638 | 438,180 | 432,956 | 438,516 |
| Earnings per common share | $ 1.09 | $ 0.99 | $ 2.14 | $ 1.92 |
| Earnings per share – diluted: | | | | |
| Net income | $ 470,529 | $ 433,761 | $ 925,404 | $ 842,452 |
| Weighted average common shares outstanding | 430,638 | 438,180 | 432,956 | 438,516 |
| Incremental shares from stock options and other dilutive securities | 6,949 | 7,440 | 7,372 | 7,964 |
| Adjusted weighted average common shares outstanding | 437,587 | 445,620 | 440,328 | 446,480 |
| Earnings per common share | $ 1.08 | $ 0.97 | $ 2.10 | $ 1.89 |

Outstanding options to purchase 0.1 million shares of Common Stock were excluded from the calculation of diluted earnings per share for the three month periods ended September 2014 and 2013 because the effect of their inclusion would have been antidilutive. Outstanding options to purchase 1.8 million and 1.2 million shares of Common Stock were excluded from the calculation of diluted earnings per share for the nine month periods ended September 2014 and 2013, respectively, because the effect of their inclusion would have been antidilutive. In addition, 1.3 million and 1.7 million of performance-based restricted stock units were excluded from the calculation of diluted earnings per share for the three and nine month periods ended September 2014 and September 2013, respectively, because these units are not considered to be contingent outstanding shares.

**Note M – Fair Value Measurements**

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. A financial instrument's categorization within the valuation hierarchy is based on the lowest level of any input that is significant to the fair value measurement. 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 VF's own data and judgments about assumptions that market participants would use in pricing the asset or liability.

The following table summarizes financial assets and financial liabilities that are measured and recorded in the consolidated financial statements at fair value on a recurring basis:

| In thousands | Total Fair Value | Fair Value Measurement Using (a) Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **September 2014** | | | | |
| Financial assets: | | | | |
| Cash equivalents: | | | | |
| Money market funds | $172,191 | $172,191 | $ — | $ — |
| Time deposits | 112,886 | 112,886 | — | — |
| Derivative financial instruments | 57,213 | — | 57,213 | — |
| Investment securities | 229,965 | 209,227 | 20,738 | — |
| Other marketable securities | 5,520 | 5,520 | — | — |
| Financial liabilities: | | | | |
| Derivative financial instruments | 31,138 | — | 31,138 | — |
| Deferred compensation | 287,353 | — | 287,353 | — |
| **December 2013** | | | | |
| Financial assets: | | | | |
| Cash equivalents: | | | | |
| Money market funds | $352,942 | $352,942 | $ — | $ — |
| Time deposits | 121,097 | 121,097 | — | — |
| Derivative financial instruments | 16,088 | — | 16,088 | — |
| Investment securities | 214,035 | 193,540 | 20,495 | — |
| Other marketable securities | 5,809 | 5,809 | — | — |
| Financial liabilities: | | | | |
| Derivative financial instruments | 46,791 | — | 46,791 | — |
| Deferred compensation | 274,659 | — | 274,659 | — |

(a) There were no transfers among the levels within the fair value hierarchy during the first nine months of 2014 or the year ended December 2013.

VF's cash equivalents include money market funds and short-term time deposits that approximate fair value based on Level 1 measurements. The fair value of derivative financial instruments, which consist of forward foreign currency exchange contracts, is determined based on observable market inputs, including spot and forward exchange rates for foreign currencies, and considers the credit risk of the Company and its counterparties. Investment securities are held in VF's deferred compensation plans as an economic hedge of the related deferred compensation liabilities. These investments are classified as trading securities and primarily include mutual funds (Level 1) that are valued based on quoted prices in active markets and a separately managed fixed income fund (Level 2) that is valued based on the net asset values of the underlying assets. Liabilities related to VF's deferred compensation plans are recorded at amounts due to participants, based on the fair value of the participants' selection of hypothetical investments. Other marketable securities consist of common stock investments classified as available-for-sale, the fair value of which is based on quoted prices in active markets.

All other financial assets and financial liabilities are recorded in the consolidated 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, short-term borrowings, accounts payable and accrued liabilities. At September 2014 and December 2013, their carrying values approximated their fair values. Additionally, at September 2014 and December 2013, the carrying value of VF's long-term debt, including the current portion, was $1,428.7 million and $1,432.0 million, respectively, compared with a fair value of $1,656.9 million and $1,568.4 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.

**Note N – Derivative Financial Instruments and Hedging Activities**

*Summary of Derivative Financial Instruments*

All of VF's outstanding derivative financial instruments are forward foreign currency exchange contracts. Although derivatives meet the criteria for hedge accounting at the inception of the hedging relationship, a limited number of derivative contracts intended to hedge assets and liabilities are not designated as hedges for accounting purposes. The notional amounts of outstanding derivative contracts were $1.8 billion at September 2014, $1.9 billion at December 2013, and $2.1 billion at September 2013, consisting primarily of contracts hedging exposures to the euro, British pound, Canadian dollar, Mexican peso, Japanese yen and Polish zloty. Derivative contracts have maturities up to 24 months.

The following table presents outstanding derivatives on a gross basis by individual contract:

| | Fair Value of Derivatives with Unrealized Gains | | | Fair Value of Derivatives with Unrealized Losses | | |
|---|---|---|---|---|---|---|
| In thousands | September 2014 | December 2013 | September 2013 | September 2014 | December 2013 | September 2013 |
| Foreign currency exchange contracts designated as hedging instruments | $ 57,009 | $ 15,964 | $ 12,685 | $ (29,419) | $ (46,627) | $ (37,376) |
| Foreign currency exchange contracts not designated as hedging instruments | 204 | 124 | 47 | (1,719) | (164) | (315) |
| Total derivatives | $ 57,213 | $ 16,088 | $ 12,732 | $ (31,138) | $ (46,791) | $ (37,691) |

VF records and presents the fair values of all of its derivative assets and liabilities in the Consolidated Balance Sheets on a gross basis, even though they are subject to master netting agreements. However, if VF were to offset and record the asset and liability balances of all of its forward foreign currency exchange contracts on a net basis in accordance with the terms of its master netting agreements, the amounts presented in the Consolidated Balance Sheets as of September 2014, December 2013 and September 2013 would be adjusted from the current gross presentation to the net amounts as detailed in the following table:

| | September 2014 | | December 2013 | | September 2013 | |
|---|---|---|---|---|---|---|
| In thousands | Derivative Asset | Derivative Liability | Derivative Asset | Derivative Liability | Derivative Asset | Derivative Liability |
| Gross amounts presented in the Consolidated Balance Sheets | $ 57,213 | $ (31,138) | $ 16,088 | $ (46,791) | $ 12,732 | $ (37,691) |
| Gross amounts not offset in the Consolidated Balance Sheets | (22,863) | 22,863 | (11,641) | 11,641 | (10,497) | 10,497 |
| Net amounts | $ 34,350 | $ (8,275) | $ 4,447 | $ (35,150) | $ 2,235 | $ (27,194) |

Derivatives are classified as current or noncurrent based on their maturity dates, as follows:

| In thousands | September 2014 | December 2013 | September 2013 |
|---|---|---|---|
| Other current assets | $ 41,875 | $ 12,699 | $ 12,257 |
| Accrued liabilities (current) | (25,177) | (36,622) | (28,743) |
| Other assets (noncurrent) | 15,338 | 3,389 | 475 |
| Other liabilities (noncurrent) | (5,961) | (10,169) | (8,948) |

*Cash Flow Hedges*

VF uses derivative contracts primarily to hedge a portion of the exchange risk for its forecasted sales, purchases, production costs and intercompany royalties. 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 Three Months Ended September | | Gain (Loss) on Derivatives Recognized in OCI Nine Months Ended September | |
|---|---|---|---|---|
| **Cash Flow Hedging Relationships** | **2014** | **2013** | **2014** | **2013** |
| Foreign currency exchange | $ 51,351 | $ (54,432) | $ 43,586 | $ (2,032) |

| In thousands | Gain (Loss) Reclassified from Accumulated OCI into Income Three Months Ended September | | Gain (Loss) Reclassified from Accumulated OCI into Income Nine Months Ended September | |
|---|---|---|---|---|
| **Location of Gain (Loss)** | **2014** | **2013** | **2014** | **2013** |
| Net sales | $ (7,657) | $ 6,195 | $ (7,539) | $ 7,418 |
| Cost of goods sold | (3,496) | 3,574 | (13,199) | 11,115 |
| Other income (expense), net | (730) | (2,218) | (1,945) | 83 |
| Interest expense | (1,028) | (980) | (3,051) | (2,909) |
| Total | $ (12,911) | $ 6,571 | $ (25,734) | $ 15,707 |

*Derivative Contracts Dedesignated as Hedges*

Cash flow hedges of some forecasted sales to third parties have historically been dedesignated as hedges when the sales were recognized. At that time, hedge accounting was discontinued and the amount of unrealized hedging gain or loss was recognized in net sales. These derivatives remained outstanding as an economic hedge of foreign currency exposures associated with the ultimate collection of the related accounts receivable, during which time changes in the fair value of the derivative contracts were recognized directly in earnings. As discussed below in *Derivative Contracts Not Designated as Hedges,* VF now utilizes separate derivative contracts to manage foreign currency risk related to the balance sheet exposures. Accordingly, 2013 was the last year during which dedesignations were recognized related to these cash flow hedges.

For the three and nine month periods ended September 2013, VF recorded net gains of $0.2 million and $1.5 million, respectively, in other income (expense), net, for derivatives dedesignated as hedging instruments.

*Derivative Contracts Not Designated as Hedges*

VF uses derivative contracts to manage foreign currency exchange risk on intercompany loans as well as intercompany and third party accounts receivable and payable. These contracts are not designated as hedges, and are recorded at fair value in the Consolidated Balance Sheets. Changes in the fair values of these instruments are 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 derivatives included in VF's Consolidated Statements of Income:

| In thousands<br>**Derivatives Not Designated as Hedges** | **Location of Gain (Loss) on Derivatives Recognized in Income** | **Gain (Loss) on Derivatives Recognized in Income Three Months Ended September** | | **Gain (Loss) on Derivatives Recognized in Income Nine Months Ended September** | |
|---|---|---|---|---|---|
| | | **2014** | **2013** | **2014** | **2013** |
| Foreign currency exchange | Other income (expense), net | $ 35 | $ (6,402) | $ (4,835) | $ (2,404) |

*Other Derivative Information*

There were no significant amounts recognized in earnings for the ineffective portion of any hedging relationships during the three and nine month periods ended September 2014 and September 2013.

At September 2014, accumulated OCI included $8.5 million of pretax net deferred gains for foreign exchange contracts that are expected to be reclassified to earnings during the next 12 months. The amounts ultimately reclassified to earnings will depend on exchange rates in effect when outstanding derivative contracts are settled.

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 pretax net deferred loss in accumulated OCI was $32.5 million at September 2014, which will be reclassified into interest expense in the Consolidated Statements of Income over the remaining terms of the associated debt instruments. Of the $32.5 million, approximately $4.2 million is expected to be reclassified to earnings during the next 12 months.

**Note O – Recently Issued and Adopted Accounting Standards**

In July 2013, the Financial Accounting Standards Board ("FASB") issued an update to their accounting guidance which requires unrecognized tax benefits to be netted with net operating loss or tax credit carryforwards in the balance sheet if specific criteria are met. This guidance became effective in the first quarter of 2014, but did not have an impact on VF's consolidated financial statements.

In April 2014, the FASB changed the definition and disclosure requirements for discontinued operations. This guidance will be effective in the first quarter of 2015, but will not have an impact on VF's consolidated financial statements unless the Company disposes of a business that meets the updated definition of discontinued operations.

In May 2014, the FASB issued a new accounting standard on revenue recognition which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The new model provides a 5-step analysis in determining the measurement of revenue and the timing of when it is recognized. New disclosures about revenues and cash flows arising from contracts with customers are also required. This guidance will be effective in the first quarter of 2017, and the Company is currently evaluating the impact that adopting this guidance will have on VF's consolidated financial statements.

In June 2014, the FASB issued an update to their accounting guidance related to stock-based compensation. The guidance requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. This guidance will be effective in the first quarter of 2016, but is not expected to have an impact on VF's consolidated financial statements.

**Note P – Subsequent Events**

On October 16, 2014, VF's Board of Directors declared a quarterly cash dividend of $0.32 per share, payable on December 19, 2014 to stockholders of record on December 9, 2014.

**Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations**

All per share amounts are presented on a diluted basis. All percentages shown in the tables below and the discussion that follows have been calculated using unrounded numbers.

**Highlights of the Third Quarter of 2014**

- Revenues grew to $3.5 billion, an increase of 7% from the third quarter of 2013.
- Outdoor & Action Sports revenues rose 11% over the 2013 quarter with double-digit percentage growth in every region.
- International revenues increased 9% over the 2013 quarter with continued strong growth in Europe and Asia Pacific.
- Direct-to-consumer revenues were up 16% and accounted for 22% of VF's total revenues in the quarter.
- Earnings per share increased 11% to $1.08 from $0.97 in the 2013 quarter.

**Analysis of Results of Operations**

**Consolidated Statements of Income**

The following table presents a summary of the changes in total revenues from the comparable periods in 2013:

| In millions | Third Quarter | Nine Months |
|---|---|---|
| Total revenues – 2013 | $ 3,297.3 | $ 8,129.5 |
| Operations | 236.2 | 577.2 |
| Impact of foreign currency translation | (13.1) | (3.4) |
| Total revenues – 2014 | $ 3,520.4 | $ 8,703.3 |

VF reported revenue growth of 7% in both the third quarter and first nine months of 2014 driven by growth in the Outdoor & Action Sports coalition, and continued strength in the international and direct-to-consumer businesses. Additional details on revenues are provided in the section titled "Information by Business Segment."

VF's foreign currency exposure primarily relates to business conducted in euro-based countries. In addition, VF conducts business in other developed and emerging markets around the world that results in exposure to foreign currencies other than the euro. The impact of foreign currency translation was not material to VF's consolidated operating results for the third quarter and first nine months of 2014.

The following table presents the percentage relationships to total revenues for components of the Consolidated Statements of Income:

| | Third Quarter | | Nine Months | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Gross margin (total revenues less cost of goods sold) | 48.3% | 47.6% | 48.7% | 48.0% |
| Selling, general and administrative expenses | 30.4% | 30.0% | 34.3% | 34.0% |
| Operating income | 18.0% | 17.6% | 14.4% | 14.0% |

Gross margin improved 70 basis points in both the third quarter and first nine months of 2014 compared with the 2013 periods. The improvements in both 2014 periods were primarily driven by the continued shift in our revenue mix towards higher margin businesses, including Outdoor and Action Sports, international and direct-to-consumer. As further discussed in the Direct-to-Consumer Operations section, the change in classification of retail concession fees improved gross margin and increased the ratio of selling, general and administration expenses to revenues. Gross margin improved by approximately 20 basis points in both the third quarter and first nine months of 2014 due to this change in classification of retail concession fees.

Selling, general and administrative expenses as a percentage of total revenues increased 40 basis points during the third quarter and 30 basis points during the first nine months of 2014 compared with the 2013 periods. Excluding the impact of the aforementioned change in classification of retail concession fees, the percentage of selling, general and administrative expenses to revenues increased 10 basis points in the third quarter and did not change during the first nine months compared with the 2013 periods, as the impact from increased investments in direct-to-consumer businesses and marketing was offset by the leverage of operating expenses on higher revenues. The aforementioned change in classification of retail concession fees increased the ratio of selling, general and administrative expenses to revenues by approximately 30 basis points in both the third quarter and first nine months of 2014 compared with the 2013 periods.

Net interest expense increased by $0.7 million in the third quarter and decreased by $1.4 million in the first nine months of 2014 from the comparable periods in 2013. The third quarter increase in net interest expense was primarily due to lower amounts of interest capitalized for significant projects and higher average levels of short-term borrowings compared with the 2013 period. Partially offsetting the third quarter increase and driving the decrease in the first nine months of 2014 was the repayment of $400 million of floating rate notes during the third quarter of 2013, and increased interest income on cash equivalents. Total outstanding debt averaged $1.8 billion for the first nine months of 2014 and $1.9 billion for the same period in 2013. The weighted average interest rates on total outstanding debt were 4.6% and 4.4% for the first nine months of 2014 and 2013, respectively.

The effective income tax rate for the first nine months of 2014 was 22.4% compared with 21.7% in the first nine months of 2013. The first nine months of 2014 included a net discrete tax benefit of $17.7 million, which included $4.1 million of prior year refund claims and $10.1 million of net tax benefits related to the realization of previously unrecognized tax benefits and interest, reducing the effective income tax rate by 1.5%. The first nine months of 2013 included a net discrete tax benefit of $19.0 million, which included $8.3 million of tax benefits related to the extension of certain tax credits and other provisions of the Internal Revenue Code enacted in 2013 which were retroactive to 2012, and $6.9 million of net tax benefits related to the realization of previously unrecognized tax benefits and interest, reducing the effective income tax rate by 1.8%. Without discrete items, the effective tax rate for the first nine months of 2014 increased by 0.4% compared with the 2013 period primarily due to the impact of tax law changes in the U.S.

Net income for the third quarter of 2014 increased to $470.5 million ($1.08 per share) compared with $433.8 million ($0.97 per share) in 2013. Net income for the first nine months of 2014 increased to $925.4 million ($2.10 per share) compared with $842.5 million ($1.89 per share) in 2013. The increases in earnings per share for the third quarter and first nine months of 2014 compared with the 2013 periods resulted primarily from improved operating performance, as discussed in the "Information by Business Segment" section below, as well as the other factors described above.

**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 K 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 present a summary of the changes in coalition revenues and coalition profit for the third quarter and first nine months of 2014 from the comparable periods in 2013:

**Coalition revenues:**

| | Third Quarter | | | | | | |
|---|---|---|---|---|---|---|---|
| In millions | Outdoor & Action Sports | Jeanswear | Imagewear | Sportswear | Contemporary Brands | Other | Total |
| Coalition revenues – 2013 | $ 1,972.0 | $ 747.2 | $ 284.5 | $ 155.2 | $ 105.0 | $33.4 | $3,297.3 |
| Operations | 213.7 | 11.3 | 8.4 | 8.2 | (5.8) | 0.4 | 236.2 |
| Impact of foreign currency translation | (4.8) | (8.1) | (0.4) | — | 0.2 | — | (13.1) |
| Coalition revenues – 2014 | $ 2,180.9 | $ 750.4 | $ 292.5 | $ 163.4 | $ 99.4 | $33.8 | $3,520.4 |

| | Nine Months | | | | | | |
|---|---|---|---|---|---|---|---|
| In millions | Outdoor & Action Sports | Jeanswear | Imagewear | Sportswear | Contemporary Brands | Other | Total |
| Coalition revenues – 2013 | $ 4,459.8 | $ 2,076.9 | $ 779.1 | $ 416.9 | $ 307.3 | $89.5 | $8,129.5 |
| Operations | 552.6 | (5.2) | 29.3 | 18.1 | (15.6) | (2.0) | 577.2 |
| Impact of foreign currency translation | 22.3 | (25.1) | (2.7) | — | 2.1 | — | (3.4) |
| Coalition revenues – 2014 | $ 5,034.7 | $ 2,046.6 | $ 805.7 | $ 435.0 | $ 293.8 | $87.5 | $8,703.3 |

**Coalition profit:**

| In millions | Third Quarter<br>Outdoor & Action Sports | Jeanswear | Imagewear | Sportswear | Contemporary Brands | Other | Total |
|---|---|---|---|---|---|---|---|
| Coalition profit (loss) – 2013 | $ 421.2 | $ 158.3 | $ 40.7 | $ 24.0 | $ 9.5 | $(0.1) | $ 653.6 |
| Operations | 57.1 | (0.9) | 2.3 | (1.0) | (4.5) | 1.2 | 54.2 |
| Impact of foreign currency translation | (2.9) | (0.4) | (0.1) | — | (0.1) | — | (3.5) |
| Coalition profit – 2014 | $ 475.4 | $ 157.0 | $ 42.9 | $ 23.0 | $ 4.9 | $ 1.1 | $ 704.3 |

| In millions | Nine Months<br>Outdoor & Action Sports | Jeanswear | Imagewear | Sportswear | Contemporary Brands | Other | Total |
|---|---|---|---|---|---|---|---|
| Coalition profit (loss) – 2013 | $ 748.1 | $ 410.6 | $ 107.3 | $ 52.5 | $ 29.9 | $(2.2) | $1,346.2 |
| Operations | 132.0 | (24.2) | 9.2 | (6.7) | (8.4) | 0.3 | 102.2 |
| Impact of foreign currency translation | 0.5 | — | (0.6) | — | 0.1 | — | 0.0 |
| Coalition profit (loss) – 2014 | $ 880.6 | $ 386.4 | $ 115.9 | $ 45.8 | $ 21.6 | $(1.9) | $1,448.4 |

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

**Outdoor & Action Sports:**

| Dollars in millions | Third Quarter 2014 | Third Quarter 2013 | Percent Change | Nine Months 2014 | Nine Months 2013 | Percent Change |
|---|---|---|---|---|---|---|
| Coalition revenues | $2,180.9 | $1,972.0 | 10.6% | $5,034.7 | $4,459.8 | 12.9% |
| Coalition profit | 475.4 | 421.2 | 12.9% | 880.6 | 748.1 | 17.7% |
| Operating margin | 21.8% | 21.4% | | 17.5% | 16.8% | |

Coalition revenues for Outdoor & Action Sports increased 11% in the third quarter of 2014 compared with 2013 primarily due to growth in *The North Face*®, *Vans*® and *Timberland*® brands, which achieved global revenue growth of 9%, 12% and 15%, respectively. Revenues in the Americas, European and Asia Pacific regions increased 11%, 10% and 13%, respectively, in the third quarter of 2014.

Coalition revenues for Outdoor & Action Sports increased 13% in the first nine months of 2014 compared with the 2013 period primarily due to growth in *The North Face*®, *Vans*® and *Timberland*® brands, which grew 11%, 17% and 15%, respectively. Revenues in the Americas, European and Asia Pacific regions rose 13%, 12% and 17%, respectively, in the first nine months of 2014.

Global revenue increases in the third quarter and first nine months of 2014 were driven by growth in both the direct-to-consumer and wholesale businesses. Direct-to-consumer revenues for Outdoor & Action Sports increased 20% and 21% in the third quarter and first nine months of 2014, respectively. New store openings, comparable store growth and an expanding e-commerce business all contributed to the direct-to-consumer revenue growth. Wholesale revenues increased 8% and 10% in the third quarter and first nine months of 2014, respectively, driven primarily by growth in *The North Face*®, *Vans*® and *Timberland*® brands.

Operating margin improved 40 and 70 basis points in the third quarter and first nine months of 2014, respectively, compared with the 2013 periods. The increases for both periods were primarily driven by a shift in business mix towards higher margin businesses and the leverage of operating expenses on higher revenues, partially offset by increased investments in direct-to-consumer businesses and marketing.

**Jeanswear:**

| Dollars in millions | Third Quarter 2014 | Third Quarter 2013 | Percent Change | Nine Months 2014 | Nine Months 2013 | Percent Change |
|---|---|---|---|---|---|---|
| Coalition revenues | $750.4 | $747.2 | 0.4% | $2,046.6 | $2,076.9 | (1.5%) |
| Coalition profit | 157.0 | 158.3 | (0.8%) | 386.4 | 410.6 | (5.9%) |
| Operating margin | 20.9% | 21.2% | | 18.9% | 19.8% | |

Global Jeanswear revenues were up slightly in the third quarter and decreased 1% in the first nine months of 2014 compared with the 2013 periods. Revenues in the Americas region declined 3% in the third quarter and 5% in the first nine months of 2014. These declines were due to ongoing pressure in the U.S. mid-tier and department store channels and unfavorable consumer trends in women's denim, resulting in *Lee®* brand revenues in the Americas region declining by a low double-digit percentage rate in both the third quarter and first nine months of 2014 compared with the 2013 periods. *Wrangler®* brand revenues in the Americas region increased by a low single-digit percentage rate in both the third quarter and first nine months of 2014 compared with the 2013 periods.

Partially offsetting the revenue decreases in the Americas region were increases in the Asia Pacific region of 31% and 16% for the third quarter and first nine months of 2014, respectively, primarily due to wholesale growth in the *Lee®* brand. Revenues in Europe were down 2% in the third quarter, as decreases in the *Wrangler®* brand revenues were partially offset by growth in the *Lee®* brand. European revenues increased 6% in the first nine months of 2014, driven by wholesale growth in the *Lee®* and *Wrangler®* brands.

Operating margin decreased 30 and 90 basis points in the third quarter and first nine months of 2014, respectively, compared with the 2013 periods. The decreases were primarily due to initiatives to liquidate excess inventory, and lower sales volume in North America, partially offset by effective control of operating expenses.

**Imagewear:**

| Dollars in millions | Third Quarter 2014 | Third Quarter 2013 | Percent Change | Nine Months 2014 | Nine Months 2013 | Percent Change |
|---|---|---|---|---|---|---|
| Coalition revenues | $292.5 | $284.5 | 2.8% | $805.7 | $779.1 | 3.4% |
| Coalition profit | 42.9 | 40.7 | 5.3% | 115.9 | 107.3 | 8.0% |
| Operating margin | 14.6% | 14.3% | | 14.4% | 13.8% | |

Imagewear revenues increased 3% in both the third quarter and first nine months of 2014 compared with the 2013 periods. The Image business (occupational apparel and uniforms) grew 10% and 6% in the third quarter and first nine months of 2014, respectively, led by its industrial and government sectors. Revenues for the Licensed Sports Group business (athletic apparel) declined 4% in the third quarter and increased 1% in the first nine months of 2014 compared with the 2013 periods. Effective in the first quarter of 2014, the Licensed Sports Group strategically transitioned the youth business for Major League Baseball to a licensed model, which negatively impacted coalition revenues by 2% in both the third quarter and first nine months of 2014.

Operating margin increased 30 and 60 basis points during the third quarter and first nine months of 2014, respectively, compared with the 2013 periods primarily due to favorable customer and product mix in the Image business. In addition, operating margin in the first nine months of 2014 was positively impacted by favorable product mix in the Licensed Sports Group business during the first quarter of 2014.

**Sportswear:**

| Dollars in millions | Third Quarter 2014 | Third Quarter 2013 | Percent Change | Nine Months 2014 | Nine Months 2013 | Percent Change |
|---|---|---|---|---|---|---|
| Coalition revenues | $163.4 | $155.2 | 5.3% | $435.0 | $416.9 | 4.3% |
| Coalition profit | 23.0 | 24.0 | (4.2%) | 45.8 | 52.5 | (12.7%) |
| Operating margin | 14.1% | 15.5% | | 10.5% | 12.6% | |

Sportswear revenues increased 5% and 4% in the third quarter and first nine months of 2014, respectively, compared with the 2013 periods. The increases in both 2014 periods were driven by increases in *Kipling®* brand revenues in North America of 22% in the third quarter and 20% in the first nine months of 2014, reflecting growth in both the direct-to-consumer and wholesale channels. *Nautica®* brand revenues increased 2% and 1% during the third quarter and first nine months of 2014, respectively, as growth in the direct-to-consumer business was partially offset by declines in wholesale revenues due to challenges in the U.S. department store channel.

Operating margin declined 140 and 210 basis points in the third quarter and first nine months of 2014, respectively, compared with the 2013 periods. The decreases for both periods were primarily driven by a decline in gross margin due to higher levels of promotional activity in the wholesale channel, and increased investments in infrastructure and direct-to-consumer businesses, partially offset by a shift in business mix towards the higher margin *Kipling®* brand business.

**Contemporary Brands:**

| | Third Quarter | | Percent | Nine Months | | Percent |
|---|---|---|---|---|---|---|
| Dollars in millions | 2014 | 2013 | Change | 2014 | 2013 | Change |
| Coalition revenues | $99.4 | $105.0 | (5.3%) | $293.8 | $307.3 | (4.4%) |
| Coalition profit | 4.9 | 9.5 | (48.5%) | 21.6 | 29.9 | (27.7%) |
| Operating margin | 4.9% | 9.0% | | 7.4% | 9.7% | |

Revenues for Contemporary Brands decreased 5% and 4% in the third quarter and first nine months of 2014, respectively, compared with the 2013 periods, due to challenging consumer trends in women's contemporary apparel and premium denim. Wholesale revenues decreased 13% and 12% during the third quarter and first nine months of 2014, respectively, and were partially offset by increases in direct-to-consumer revenues of 11% in each of the respective periods. Effective in the first quarter of 2014, management strategically transitioned a portion of the youth business to a licensed model, which negatively impacted revenues by 3% in both the third quarter and first nine months of 2014.

Operating margin decreased 410 and 230 basis points in the third quarter and first nine months of 2014, respectively, compared with the 2013 periods primarily due to the cost of store openings and higher selling, general and administrative costs as a percentage of revenues resulting from the sales decline.

**Other:**

| | Third Quarter | | Percent | Nine Months | | Percent |
|---|---|---|---|---|---|---|
| Dollars in millions | 2014 | 2013 | Change | 2014 | 2013 | Change |
| Coalition revenues | $33.8 | $33.4 | 1.2% | $87.5 | $89.5 | (2.2%) |
| Coalition profit (loss) | 1.1 | (0.1) | | (1.9) | (2.2) | |
| Operating margin | 3.5% | (0.3%) | | (2.3%) | (2.5%) | |

*VF Outlet®* stores in the U.S. sell VF branded products at prices that are generally higher than what could be realized through external channels, as well as other non-VF products. Revenues and profits of VF branded products sold in these stores are reported as part of the operating results of the applicable coalition, while revenues and profits of non-VF branded 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 expense, net, which was discussed in the previous "Consolidated Statements of Income" section.

| | Third Quarter | | Percent | Nine Months | | Percent |
|---|---|---|---|---|---|---|
| Dollars in millions | 2014 | 2013 | Change | 2014 | 2013 | Change |
| Corporate and other expenses | $72.9 | $75.2 | (3.0%) | $196.5 | $209.2 | (6.1%) |
| Interest expense, net | 20.7 | 20.0 | 3.6% | 59.8 | 61.2 | (2.3%) |

Corporate and other expenses are those that have not been allocated to the coalitions for internal management reporting, including (i) information systems and shared services, (ii) corporate headquarters' costs and (iii) other income and expenses. Other income and expenses includes costs of corporate programs and initiatives; costs of registering, maintaining and enforcing certain VF trademarks; and miscellaneous costs, the most significant of which is related to the expense of VF's centrally-managed U.S. defined benefit pension plans. The current year service cost component of pension cost related to the coalitions is allocated to the coalitions, while the remaining cost components, totaling $8.0 million and $24.0 million for the third quarter and first nine months of 2014, respectively, and $15.2 million and $45.7 million for the third quarter and first nine months of 2013, respectively, are reported in corporate and other expenses.

**International Operations**

International revenues grew 9% in the third quarter and 11% in the first nine months of 2014 compared with the 2013 periods. Revenues in Europe rose 8% in the third quarter and 11% in the first nine months of 2014 with positive results from most VF brands sold in that region. In the Asia Pacific region, revenues increased 18% in the third quarter and 17% in the first nine months of 2014, primarily driven by growth in China. Revenues in the Americas (non-U.S.) region increased 4% and 3% during the third quarter and first nine months of 2014, respectively. International revenues were 41% and 40% of total VF sales in the third quarter of 2014 and 2013, respectively, and 40% and 39% of total VF sales in the first nine months of 2014 and 2013, respectively.

**Direct-to-Consumer Operations**

Direct-to-consumer revenues grew 16% in the third quarter and 17% in the first nine months of 2014 with double-digit increases in all regions and growth in nearly every VF brand with a retail format. New store openings, comparable store growth and an expanding e-commerce business all contributed to the direct-to-consumer revenue growth. VF opened 49 stores in the third quarter and 113 stores in the first nine months of 2014, bringing the total number of VF-owned retail stores to 1,333 at September 2014. Direct-to-consumer revenues reached 22% of total revenues in the third quarter of 2014 compared with 20% (19% prior to the concession classification change discussed below) in the 2013 period. Direct-to-consumer revenues were 23% of total revenues in the first nine months of 2014 compared with 21% (20% prior to the concession classification change) in the 2013 period.

Concessions are retail store locations, which are all outside the U.S., where VF is responsible for all aspects of operations without ownership of the retail space. Under typical concession arrangements, VF pays a concession fee for use of the space based on a percentage of retail sales. Beginning in 2014, we have included all revenues from concessions in our direct-to-consumer revenues. In addition, we began classifying all concession fees as a component of selling, general and administrative expenses instead of the previous treatment as an offset to revenue in the Consolidated Statement of Income. We made these changes to better represent the operations of our direct-to-consumer business. These changes in classification did not impact operating income, and 2013 reported balances have not been restated in the Consolidated Statement of Income because the impact is immaterial. However, comparative references to direct-to-consumer and wholesale revenue growth rates reflect the reclassification of concession revenues to the direct-to-consumer channel as if the change had occurred at the beginning of each reporting period.

## Analysis of Financial Condition

### Balance Sheets

The following discussion refers to significant changes in balances at September 2014 compared with December 2013:

- *Increase in accounts receivable*—due to the seasonality of the business.
- *Increase in inventories*—due to the seasonality of the business and anticipated sales growth in the fourth quarter of 2014.
- *Increase in other current assets*—primarily due to higher prepaid income taxes and unrealized hedging gains.
- *Decrease in intangible assets*—primarily due to foreign currency rate fluctuations and amortization expense.
- *Increase in short-term borrowings*—due to commercial paper borrowings used to support seasonal working capital requirements and share repurchases in the first nine months of 2014.

The following discussion refers to significant changes in balances at September 2014 compared with September 2013:

- *Increase in accounts receivable*—resulting from an increase in wholesale revenues for the third quarter of 2014.
- *Increase in other current assets*— primarily due to higher prepaid income taxes and unrealized hedging gains.
- *Decrease in intangible assets*—primarily due to foreign currency rate fluctuations and amortization expense.
- *Increase in other assets*—driven by increases in assets held for deferred compensation plans and deferred software costs primarily related to i) system implementations and ii) a new software license agreement that supports our e-commerce infrastructure and other key business functions.
- *Increase in short-term borrowings*—due to commercial paper borrowings used to support seasonal working capital requirements and higher levels of share repurchases.
- *Decrease in other long term liabilities*—primarily due to a decrease in the underfunded status of the defined benefit pension plan.

### Liquidity and Cash Flows

The financial condition of VF is reflected in the following:

| Dollars in millions | September 2014 | December 2013 | September 2013 |
|---|---|---|---|
| Working capital | $ 2,257.7 | $ 2,315.0 | $ 2,039.2 |
| Current ratio | 2.0 to 1 | 2.5 to 1 | 2.0 to 1 |
| Debt to total capital ratio | 26.2% | 19.3% | 25.2% |

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 21.3% at September 2014, 10.0% at December 2013 and 21.9% at September 2013.

In summary, our cash flows were as follows:

| In thousands | Nine Months 2014 | 2013 |
|---|---|---|
| Net cash provided by operating activities | $ 366,846 | $ 418,076 |
| Net cash used by investing activities | (255,033) | (255,288) |
| Net cash used by financing activities | (376,770) | (441,660) |

*Cash Provided by Operating Activities*

VF's primary source of liquidity is the strong cash flow provided by operating activities, which is dependent on the level of net income and changes in working capital. Cash provided by operating activities for the first nine months of 2014 decreased to $366.8 million from $418.1 million for the 2013 period. The decline is due to an increase in net cash usage from working capital changes, partially offset by an increase in net income and a $100.0 million discretionary defined benefit plan contribution in the first quarter of 2013 that did not recur in 2014.

*Cash Used by Investing Activities*

Cash used by investing activities for the first nine months of 2014 decreased to $255.0 million from $255.3 million in 2013. VF's investing activities in the first nine months of 2014 related primarily to capital expenditures of $171.6 million and software purchases of $66.8 million. Capital expenditures decreased $31.9 million compared with the 2013 period due to the completion of a number of significant projects during 2013. Software purchases increased $24.9 million over the 2013 period due to system implementations and a new software license agreement that supports our e-commerce infrastructure and other key business functions.

*Cash Used by Financing Activities*

Cash used by financing activities in the first nine months of 2014 was $376.8 million compared with $441.7 million in the first nine months of 2013. The decrease was primarily due to the repayment of $400 million of floating rate notes during the third quarter of 2013 and an increase in short-term borrowings, partially offset by higher levels of share repurchases and cash dividends paid.

During the first nine months of 2014, VF purchased 12.0 million shares of its Common Stock in open market transactions at a total cost of $727.5 million (average price per share of $60.46). During the first nine months of 2013, VF purchased 6.8 million shares of its Common Stock in open market transactions at a total cost of $281.5 million (average price per share of $41.17). As of the end of the third quarter of 2014, the Company had 40.7 million shares remaining under its current share repurchase program authorized by VF's Board of Directors. 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.

VF relies on continued strong cash generation to finance its ongoing operations. In addition, VF has significant liquidity from its available cash balances and credit facilities. VF maintains a $1.25 billion senior unsecured revolving line of credit (the "Global Credit Facility"), which supports its $1.25 billion U.S. commercial paper program for short-term seasonal working capital requirements and corporate operations. The Global Credit Facility expires in December 2016. Commercial paper borrowings and standby letters of credit issued as of September 2014 were $615.0 million and $16.6 million, respectively, leaving $618.4 million available for borrowing against this facility at September 2014.

VF's favorable credit agency ratings allow for access to additional liquidity at competitive rates. At the end of September 2014, VF's long-term debt ratings were 'A' by Standard & Poor's Ratings Services and 'A3' by Moody's Investors Service, and commercial paper ratings by those rating agencies were 'A-1' and 'Prime-2', respectively.

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 2017, 2021 and 2037 notes were rated below investment grade by recognized rating agencies, VF would be obligated to repurchase the notes at 101% of the aggregate principal amount, plus any accrued and unpaid interest.

Management's Discussion and Analysis in the 2013 Form 10-K provided a table summarizing VF's contractual obligations and commercial commitments at the end of 2013 that would require the use of funds. Since the filing of the 2013 Form 10-K, there have been no material changes in the disclosed amounts, except as noted below:

- Inventory purchase obligations increased by approximately $114.4 million at the end of September 2014 due to the seasonality of VF's businesses.

Additionally, in the third quarter of 2014, VF agreed to guarantee up to $10 million of loans issued by the International Finance Corporation, a member of the World Bank Group, to VF suppliers in Bangladesh. The financing will be used to fund building upgrades and fire and safety improvements in vendor factories. There were no borrowings at the end of September 2014.

Management believes that VF's cash balances and funds provided by operating activities, as well as its Global Credit Facility, additional borrowing capacity and access to capital 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 the dividend to stockholders at current and expected rates and (iii) flexibility to meet investment opportunities that may arise.

**Recently Issued and Adopted Accounting Standards**

In July 2013, the FASB issued an update to their accounting guidance which requires unrecognized tax benefits to be netted with net operating loss or tax credit carryforwards in the balance sheet if specific criteria are met. This guidance became effective in the first quarter of 2014, but did not have an impact on VF's consolidated financial statements.

In April 2014, the FASB changed the definition and disclosure requirements for discontinued operations. This guidance will be effective in the first quarter of 2015, but will not have an impact on VF's consolidated financial statements unless the Company disposes of a business that meets the updated definition of discontinued operations.

In May 2014, the FASB issued a new accounting standard on revenue recognition which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The new model provides a 5-step analysis in determining the measurement of revenue and the timing of when it is recognized. New disclosures about revenues and cash flows arising from contracts with customers are also required. This guidance will be effective in the first quarter of 2017, and the Company is currently evaluating the impact that adopting this guidance will have on VF's consolidated financial statements.

In June 2014, the FASB issued an update to their accounting guidance related to stock-based compensation. The guidance requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. This guidance will be effective in the first quarter of 2016, but is not expected to have an impact on VF's 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. Our critical accounting policies are applied in a consistent manner. Significant accounting policies are summarized in Note A to the Consolidated Financial Statements included in the 2013 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 2013 Form 10-K. There have been no material changes in these policies.

**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 overall level of consumer demand for apparel, footwear and accessories; 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 and its customers’ ability to maintain the strength and security of information technology systems; adverse unseasonable weather conditions; 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; changes in tax liabilities; 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.

**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 2013 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 2013 Form 10-K. There have been no material changes to the legal proceedings from those described in the 2013 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 2013 Form 10-K. There have been no material changes to the risk factors from those disclosed in the 2013 Form 10-K.

**Item 2 — Unregistered Sales of Equity Securities and Use of Proceeds**

(c) Issuer purchases of equity securities:

There were no issuer purchases of equity securities in the third quarter of 2014.

| Third Quarter 2014 | 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 |
|---|---|---|---|---|
| June 29 – July 26, 2014 | — | $ — | — | 40,728,776 |
| July 27 – August 23, 2014 | — | — | — | 40,728,776 |
| August 24 – September 27, 2014 | — | — | — | 40,728,776 |
| Total | — | | — | |

**Item 6 — Exhibits**

| | |
|---|---|
| 10.1 | Twelfth Supplemental Annual Benefit Determination pursuant to the VF Corporation Amended and Restated Supplemental Executive Retirement Plan |
| 31.1 | Certification of Eric C. Wiseman, President and Chief Executive Officer, 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 Robert K. Shearer, Senior Vice President and Chief Financial Officer, 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 Eric C. Wiseman, President and Chief Executive Officer, 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 Robert K. Shearer, Senior Vice President and Chief Financial Officer, 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 |

## 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: November 4, 2014

By: /s/ Scott A. Roe
Scott A. Roe
Vice President — Controller (Chief Accounting Officer)

**Exhibit 10.1**

**TWELFTH SUPPLEMENTAL ANNUAL BENEFIT DETERMINATION PURSUANT TO THE VF CORPORATION AMENDED AND RESTATED SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

**Article I. Purpose**

The purpose of this Twelfth Supplemental Annual Benefit Determination (the "Determination"), which is effective on January 1, 2015, is to provide to designated Participants a Supplemental Pension under the VF Corporation Amended and Restated Supplemental Executive Retirement Plan (the "SERP").

**Article II. Definitions**

As used herein, words and phrases shall have such meanings as are set forth in the SERP and the VF Corporation Pension Plan ("Pension Plan"). "Committee" shall mean the Compensation Committee of the Board of Directors of VF Corporation, or any successor committee thereto.

**Article III. Eligibility for Benefits**

The Supplemental Pension shall be payable to the Participant if his or her employment ceases by reason of: 1) retirement on his or her Normal Retirement Date, 2) termination of employment or 3) death while an Employee.

**Article IV. Supplemental Pension Benefits**

4.01 Normal Retirement: The Participants in this Determination shall receive the following Supplemental Pension payable at Normal or Late Retirement:

(a) The Normal Retirement Benefit otherwise payable to the Participant under the Pension Plan computed without reduction for any maximum contribution, benefit or compensation limitations imposed by ERISA or the Code on the Corporation and without application of the amendments to the Pension Plan made effective as of December 31, 2014 pursuant to which a Participant who, on September 1, 2014, is classified as salary grade 20 or above for compensation purposes, earns no additional benefit accruals under the Pension Plan for any period of time on or after January 1, 2015, but without regard to the amount set forth in Appendix IV to the Pension Plan for such Participant.

(b) The Supplemental Pension set forth in Section 4.01(a) shall be reduced by any benefits payable to the Participant under the Pension Plan.

4.02 Termination of Employment: The Supplemental Pension payable by reason of the Participant's termination of employment shall be equal to the benefit provided by Section 4.01 above multiplied by a fraction (not greater than 1.0). The numerator of this fraction shall be the number of full and part years of the Participant's employment with the Corporation. The denominator of this fraction shall be the number of full and part years of the Participant's employment as if the Participant had been employed until Normal Retirement Date.

4.03 Death while an Employee: The Supplemental Pension payable upon the death of the Participant while an Employee shall be as provided by Section 4.02.

4.04 Form of Supplemental Pension:

(a) Benefits Subject to Code Section 409A. The Supplemental Pension shall be paid to the Participant in a lump sum in cash. The lump sum payment shall be made to the Participant on the first business day of the month following the later of (i) six months after the date of the Participant's separation from service, or (ii) the Participant's attainment of age 55. If a Participant dies while employed, his or her Beneficiary shall, on the first business day of the month following the date which is six months after the Participant's date of death, receive in a lump sum the actuarial present value of the Participant's Supplemental Pension under this Determination.

(b) Present Value Calculation. In the case of an unmarried Participant who dies while employed after the Board of Directors' adoption of certain design modifications to the Pension Plan and the SERP on December 9, 2003, the present value of his or her Supplemental Pension under this Determination shall be determined as if such design modifications had not been adopted. The lump sum actuarial present value calculations shall be based on (i) an interest rate assumption equal to the yield for the Moody's Aa corporate bond index as of the last business day of the calendar quarter in which the Participant's last day worked for purposes of the Pension Plan occurs (or, if the time of payment is determined by the Participant's attainment of age 55 under Section 4.04(a)(ii), as of the last business day preceding the beginning of the calendar quarter in which the Participant attains age 55), and (ii) the mortality assumption set forth in the Pension Plan for purposes of calculating lump sum payments.

**Article V. Participants**

The Board of Directors and the Committee designate as Participants, for purposes of this Determination, any Employee who loses retirement benefits under the Pension Plan because of application of the amendments to the Pension Plan made effective as of December 31, 2014 pursuant to which any Employee who, on September 1, 2014, is classified as salary grade 20 or above for compensation purposes earns no additional benefit accruals under the Pension Plan for any period on or after January 1, 2015; provided, however, that any Employee who has been designated in any other SERP Determination shall be excluded from this Determination to the extent that such other Determination provides for the Supplemental Pension set forth above.

**Article VI. Vesting**

The Participant shall become vested in the Supplemental Pension payable pursuant to this Determination upon satisfaction of the vesting period provided in the SERP. Nothing in this Determination shall preclude the Board of Directors from discontinuing eligibility to participate in the SERP and this Determination at any time before the Participant shall become vested hereunder.

**Article VII.** **Adoption**

This Determination was approved and adopted by the Board of Directors of the Corporation on October 16, 2014, to be effective on January 1, 2015. The Board of Directors reserves the right to amend the Determination, either retroactively or prospectively, in whatever respect is required to achieve and maintain compliance with the requirements of Section 409A of the Code and the regulations thereunder.

**Exhibit 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 15 U.S.C. SECTION 10A, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Eric C. Wiseman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of V.F. Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 4, 2014

/s/ Eric C. Wiseman
Eric C. Wiseman
President and
Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 15 U.S.C. SECTION 10A, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert K. Shearer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of V.F. Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 4, 2014

/s/ Robert K. Shearer
Robert K. Shearer
Senior Vice President and
Chief Financial Officer

**Exhibit 32.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**
**PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of V.F. Corporation (the "Company") on Form 10-Q for the period ending September 27, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric C. Wiseman, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

November 4, 2014

/s/ Eric C. Wiseman
Eric C. Wiseman
President and Chief Executive Officer

**Exhibit 32.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of V.F. Corporation (the “Company”) on Form 10-Q for the period ending September 27, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert K. Shearer, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

November 4, 2014

/s/ Robert K. Shearer

Robert K. Shearer
Senior Vice President
and Chief Financial Officer