HILFIGER TOMMY CORP
Form 10-Q
February 13, 2002

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

FORM 10-Q

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

For the Quarterly Period Ended December 31, 2001

Commission File Number 1-11226

TOMMY HILFIGER CORPORATION

(Exact name of registrant as specified in its charter)

British Virgin Islands	Not Applicable
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

11/F, Novel Industrial Building, 850-870 Lai Chi Kok Road, Cheung Sha Wan,
Kowloon, Hong Kong

(Address of principal executive offices)

852-2216-0668

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ________

Ordinary Shares, $0.01 par value per share, outstanding as of February 1, 2002: 89,781,686

TOMMY HILFIGER CORPORATION
INDEX TO FORM 10-Q
December 31, 2001

PART I - FINANCIAL INFORMATION

PART I

ITEM 1 - FINANCIAL STATEMENTS

TOMMY HILFIGER CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

(Unaudited)	For the Nine Months Ended December 31, 2001	For the Nine Months Ended December 31, 2000
Net revenue..	$ 1,376,923	$ 1,408,938
Cost of goods sold..	785,348	827,120
Gross profit..	591,575	581,818

Depreciation and amortization	83,252	77,487
Other selling, general and administrative expenses	377,741	352,908
Total operating expenses	460,993	430,395
Income from operations	130,582	151,423
Interest expense	29,447	31,560
Interest income	8,064	13,144
Income before income taxes	109,199	133,007
Provision for income taxes	15,353	35,646
Net income	$ 93,846	$ 97,361
Earnings per share:		
Basic earnings per share	$ 1.05	$ 1.06
Weighted average shares outstanding	89,307	91,858
Diluted earnings per share	$ 1.04	$ 1.06
Weighted average shares and share equivalents outstanding	89,834	92,020

See Accompanying Notes to Condensed Consolidated Financial Statements

TOMMY HILFIGER CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

(Unaudited)	December 31, 2001	March 2001
Assets		
Current assets		
Cash and cash equivalents	$ 451,098	$ 318,
Accounts receivable	136,068	237,
Inventories	235,800	205,
Other current assets	95,293	90,
Total current assets	918,259	851,

Property and equipment, at cost, less accumulated depreciation and amortization	305,635	281,
Intangible assets, net of accumulated amortization	1,407,936	1,206,
Other assets	7,994	2,
Total Assets	$ 2,639,824	$ 2,342,
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings	$ 57,875	$
Current portion of long-term debt	60,700	50,
Accounts payable	22,985	38,
Accrued expenses and other current liabilities	223,297	171,
Total current liabilities	364,857	260,
Long-term debt	600,447	529,
Deferred tax liability	209,925	202,
Other liabilities	4,104	2,
Shareholders' equity		
Preference Shares, $0.01 par value-shares authorized 5,000,000; none issued	-	
Ordinary Shares, $0.01 par value-shares authorized 150,000,000; issued 95,974,286 and 95,169,402 shares, respectively	960	
Capital in excess of par value	597,972	589,
Retained earnings	916,077	822,
Accumulated other comprehensive income (loss)	6,713	(2,
Treasury shares, at cost: 6,192,600 Ordinary Shares	(61,231)	(61,
Total shareholders' equity	1,460,491	1,348,
Commitments and contingencies		
Total Liabilities and Shareholders' Equity	$ 2,639,824	$ 2,342,

See Accompanying Notes to Condensed Consolidated Financial Statements

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TOMMY HILFIGER CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

	200
Cash flows from operating activities	
Net income	$ 93,
Adjustments to reconcile net income to net cash from operating activities	
Depreciation and amortization	84,
Deferred taxes	(4,
Changes in operating assets and liabilities	
Decrease (increase) in assets	
Accounts receivable	118,
Inventories	
Other assets	
Increase (decrease) in liabilities	
Accounts payable	(21,
Accrued expenses and other liabilities	41,
Net cash provided by operating activities	312,
Cash flows from investing activities	
Purchases of property and equipment	(71,
Acquisition of business, net of cash acquired	(205,
Net cash used in investing activities	(276,
Cash flows from financing activities	
Payments of long-term debt	(70,
Proceeds from the issuance of long-term debt	145,
Proceeds from the exercise of employee stock options	7,
Purchase of treasury shares	
Short-term bank borrowings (repayments)	15,
Net cash used in financing activities	97,
Net increase (decrease) in cash	132,
Cash and cash equivalents, beginning of period	318,
Cash and cash equivalents, end of period	$ 451,

See Accompanying Notes to Condensed Consolidated Financial Statements

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TOMMY HILFIGER CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(dollar amounts in thousands)

(Unaudited)

	Ordinary Shares		Capital in excess of par value
	Outstanding	Amount	

Balance, March 31, 2000	94,830,638	$ 948	$ 584,920
Net income	-	-	
Foreign currency translation	-	-	-
Exercise of employee stock options	338,764	4	3,706
Tax benefits from exercise of stock options	-	-	558
Purchase of treasury shares	(6,192,600)	-	-
Balance, March 31, 2001	88,976,802	952	589,184
Net income	-	-	-
Foreign currency translation	-	-	-
Change in fair value of hedging instruments	-	-	-
Exercise of employee stock options	804,884	8	7,349
Tax benefits from exercise of stock options	-	-	1,439
Balance, December 31, 2001 (Unaudited)	89,781,686	$ 960	$ 597,972

	Treasury shares	Total shareholders' equity
Balance, March 31, 2000	$ -	$ 1,277,714
Net income	-	130,961
Foreign currency translation	-	(3,119)
Exercise of employee stock options	-	3,710
Tax benefits from exercise of stock options	-	558
Purchase of treasury shares	(61,231)	(61,231)
Balance, March 31, 2001	(61,231)	1,348,593
Net income	-	93,846
Foreign currency translation	-	9,263
Change in fair value of hedging instruments	-	(7)
Exercise of employee stock options	-	7,357
Tax benefits from exercise of stock options	-	1,439
Balance, December 31, 2001 (Unaudited)...............	$ (61,231)	$ 1,460,491

Comprehensive income consists of net income, foreign currency translation and unrealized gains and losses on hedging instruments and totaled $103,102 for the nine months ended December 31, 2001 and $127,842 for the fiscal year ended March 31, 2001.

See Accompanying Notes to Condensed Consolidated Financial Statements

TOMMY HILFIGER CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollar amounts in thousands)

Note 1 - Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared by Tommy Hilfiger Corporation ("THC" or the "Company"; unless the context indicates otherwise, all references to the "Company" include THC and its subsidiaries) in a manner consistent with that used in the preparation of the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2001, as filed with the Securities and Exchange Commission (the "Form 10-K"). Certain items contained in these statements are based on estimates. In the opinion of management, the accompanying financial statements reflect all adjustments, which consist of only normal and recurring adjustments, necessary for a fair presentation of the financial position and results of operations and cash flows for the periods presented. All significant intercompany accounts and transactions have been eliminated.

Operating results for the nine-month and three-month periods ended December 31, 2001 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2002, as the Company's business is impacted by the general seasonal trends characteristic of the apparel and retail industries as well as other factors. These unaudited financial statements should be read in conjunction with the financial statements included in the Form 10-K.

The financial statements as of and for the nine-month and three-month periods ended December 31, 2001 and 2000 are unaudited. The Condensed Consolidated Balance Sheet as of March 31, 2001, as presented, has been derived from the Consolidated Balance Sheet as of March 31, 2001 included in the Form 10-K.

Note 2 - Acquisition of European Licensee

On June 29, 2001, THC and Tommy Hilfiger (Eastern Hemisphere) Limited, a wholly owned subsidiary of THC ("THEH"), entered into a stock purchase agreement with TH Europe Holdings Limited, a related party ("TH Europe Holdings"), pursuant to which THEH agreed to acquire from TH Europe Holdings all of the issued and outstanding shares of capital stock of T.H. International N.V., the owner of Tommy Hilfiger Europe B.V. ("TH Europe"), the Company's European licensee, for a cash purchase price of $200,000 (such transaction being referred to herein as the "TH Europe Acquisition"). The TH Europe Acquisition was completed on July 5, 2001 and was funded using available cash.

The TH Europe Acquisition is expected to create long-term value for the Company's shareholders through TH Europe's expected contribution to revenues and net income beginning with the year of acquisition. The acquisition is also expected to further the Company's evolution as a premier global lifestyle brand and to provide the Company with distribution channel as well as geographic diversification. The purchase price paid reflected the current profitability and cash flow generation of TH Europe, as well as the rapid rate of growth in its projected revenues, net income and cash flows.

The TH Europe Acquisition has been accounted for under the purchase method of accounting and, accordingly, the operating results of the acquired companies are included in the consolidated results of the Company from the date of the acquisition. The purchase price, including transaction costs, has been allocated as follows:

Cash	$ 1,728
Accounts receivable	16,944
Inventories	30,540
Other current assets	6,769
Property, plant and equipment	15,508

Indefinite lived intangible assets, including goodwill	216,426
Other assets	94
Short-term bank borrowings	(42,629)
Accounts payable	(5,965)
Accrued expenses and other current liabilities	(17,478)
Long-term debt	(1,273)
Deferred tax liability	(11,925)
Other liabilities	(1,950)
Total Purchase Price	$ 206,789

The Company has applied the provisions of FASB Statement No. 141, "Business Combinations", and certain provisions of FASB Statement No. 142, "Goodwill and Other Intangible Assets", to the TH Europe Acquisition. See Note 9 below.

Note 3 - Credit Facilities

The Company's principal credit facilities consist of $250,000 of 6.50% notes maturing on June 1, 2003 (the "2003 Notes"), $200,000 of 6.85% notes maturing on June 1, 2008 (the "2008 Notes"), $150,000 of 9% bonds maturing on December 1, 2031 which were issued in December 2001 (the "2031 Bonds") and term and revolving credit facilities which expire on March 31, 2003 (the "Credit Facilities"). The 2003 Notes, the 2008 Notes and the 2031 Bonds (collectively, the "Notes") were issued by Tommy Hilfiger U.S.A., Inc. ("TH USA") and are fully and unconditionally guaranteed by THC. The indenture under which the Notes were issued contains covenants that, among other things, restrict the ability of subsidiaries of THC to incur additional indebtedness, restrict the ability of THC and its subsidiaries to incur indebtedness secured by liens or enter into certain sale and leaseback transactions and restrict the ability of THC and TH USA to engage in mergers or consolidations.

The Credit Facilities, which are guaranteed by THC, consist of an unsecured $250,000 TH USA five-year revolving credit facility, of which up to $150,000 may be used for direct borrowings, and an unsecured $200,000 five-year term credit facility, of which $60,000 remained outstanding as of December 31, 2001. The revolving credit facility is available for letters of credit, working capital and other general corporate purposes. As of December 31, 2001, $103,205 of the available borrowings under the revolving credit facility had been used to open letters of credit. There were no borrowings outstanding under the revolving credit facility at December 31, 2001. Borrowings under the Credit Facilities bear interest at variable rates which, on a weighted average annual basis, amounted to 2.85% and 4.51% as of, and for the nine-month period ended, December 31, 2001, respectively, and 7.36% and 7.16% as of, and for the nine-month period ended, December 31, 2000, respectively.

In January 2002, the Company paid the remaining balance of direct borrowings of $60,000 outstanding under the term credit facility.

The Credit Facilities contain a number of covenants that, among other things, restrict the ability of subsidiaries of THC to dispose of assets, incur additional indebtedness, create liens on assets, pay dividends or make other payments in respect of capital stock, make investments, loans and advances, engage in transactions with affiliates, enter into certain sale and leaseback transactions, engage in mergers or consolidations or change the businesses conducted by them. The Credit Facilities also restrict the ability of THC to create liens on assets or enter into certain sale and leaseback transactions. Under the Credit Facilities, subsidiaries of THC may not pay dividends or make other payments in respect of capital stock to THC that, in the aggregate, exceed 33% of the Company's cumulative consolidated net income, commencing with the fiscal year ended March 31, 1998, less certain deductions. In addition, under the Credit Facilities, THC and TH USA are required to comply with and maintain specified financial ratios and tests (based on the Company's consolidated financial results), including, without limitation, an interest expense coverage ratio, a maximum leverage ratio and a minimum consolidated net worth test.

The Company was in compliance with all covenants in respect of the Notes and the Credit Facilities as of, and for the twelve-month period ended, December 31, 2001.

Certain of the Company's non-U.S. subsidiaries have separate credit facilities for working capital or trade financing purposes. In addition to short-term borrowings of $57,875, as of December 31, 2001 these subsidiaries were contingently liable for unexpired bank letters of credit of $20,555 related to commitments of these subsidiaries to suppliers for the purchase of inventory. Borrowings under these credit facilities bear interest at variable rates which, on a weighted average annual basis, amounted to 4.58% and 5.70% as of, and for the nine-month period ended, December 31, 2001, respectively.

Note 4 - Condensed Consolidating Financial Information

The Notes discussed in Note 3 were issued by TH USA and are fully and unconditionally guaranteed by THC. Accordingly, condensed consolidating balance sheets as of December 31, 2001 and March 31, 2001, and the related condensed consolidating statements of operations and cash flows for each of the nine-month periods ended December 31, 2001 and 2000 are provided. The operations of TH USA, excluding its subsidiaries, consist of the U.S. operations of certain wholesale divisions, together with TH USA corporate overhead charges not allocated to subsidiaries, including amortization of intangibles (including goodwill). The non-guarantor subsidiaries of TH USA consist of the Company's U.S. retail, licensing and other wholesale divisions, as well as the Company's Canadian operations. Such operations contributed net revenue of $918,967 and $956,383 for the nine-month periods ended December 31, 2001 and 2000, respectively. The other non-guarantor subsidiaries of THC are primarily those non-U.S. subsidiaries involved in investing and buying office operations, as well as the Company's European operations. These condensed consolidating financial statements have been prepared using the equity method of accounting in accordance with the requirements for presentation of such information under which TH USA's and THC's results reflect 100% of the earnings of their respective subsidiaries in each of the years presented.

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Condensed Consolidating Statements of Operations
Nine Months Ended December 31, 2001

	Subsidiary Issuer (TH USA)	Non-Guarantor Subsidiaries	Parent Company Guarantor (THC)
Net revenue	$ 420,055	$ 1,056,382	$ -
Cost of goods sold	287,969	538,513	-

Gross profit	132,086	517,869	-
Depreciation and amortization	47,173	36,079	-
Other operating expenses	121,628	318,266	(4,497)
Total operating expenses	168,801	354,345	(4,497)
Income / (loss) from operations	(36,715)	163,524	4,497
Interest expense	27,672	1,775	-
Interest income	2,620	4,004	1,442
Intercompany interest expense / (income)	68,660	(12,728)	(55,930)
Income / (loss) before taxes	(130,427)	178,481	61,869
Provision / (benefit) for income taxes	(38,867)	48,932	5,289
Equity in net earnings of unconsolidated subsidiaries	94,796	-	33,984
Net income / (loss)	$ 3,236	$ 129,549	$ 90,564

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Condensed Consolidating Statements of Operations
Nine Months Ended December 31, 2000

	Subsidiary Issuer (TH USA)	Non-Guarantor Subsidiaries	Parent Company Guarantor (THC)
Net revenue	$ 511,885	$ 1,009,322	$ -
Cost of goods sold	331,400	547,268	-
Gross profit	180,485	462,054	-
Depreciation and amortization	48,251	29,235	-
Other operating expenses	141,576	277,344	(5,504)
Total operating expenses	189,827	306,579	(5,504)
Income / (loss) from operations	(9,342)	155,475	5,504
Interest expense	31,539	21	-

Interest income	2,252	5,700	5,195
Intercompany interest expense / (income)	66,404	(6,859)	(59,542)
Income / (loss) before taxes	(105,033)	168,013	70,241
Provision / (benefit) for income taxes	(20,586)	50,544	5,688
Equity in net earnings of unconsolidated subsidiaries	85,217	-	33,589
Net income / (loss)	$ 770	$ 117,469	$ 98,142

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Condensed Consolidating Balance Sheets
December 31, 2001

	Subsidiary Issuer (TH USA)	Non-Guarantor Subsidiaries	Parent Company Guarantor (THC)
Assets			
Current Assets			
Cash and cash equivalents	$ 274,892	$ 120,475	$ 55,73
Accounts receivable	41,427	94,641	
Inventories	68,614	173,557	
Other current assets	13,190	80,763	1,24
Total current assets	398,123	469,436	56,97
Property, plant and equipment, at cost, less accumulated depreciation and amortization	154,939	150,697	
Intangible assets, net of accumulated amortization	1,156,005	251,681	
Investment in subsidiaries	528,482	206,789	414,01
Other assets	5,434	2,560	
Total Assets	$ 2,242,983	$1,081,163	$ 470,99
Liabilities and Shareholders' Equity			
Current liabilities			
Short-term borrowings	$ -	$ 57,875	$
Current portion of long-term debt	60,000	700	
Accounts payable	2,024	20,962	
Accrued expenses and other current liabilities	87,528	134,744	78
Intercompany payable / (receivable)	1,105,221	(279,131)	(825,07
Total current liabilities	1,254,773	(64,850)	(824,29
Long-term debt	599,589	858	

Deferred tax liability	209,276	649	
Other liabilities	32	4,071	
Shareholders' equity	179,313	1,140,435	1,295,28
Total Liabilities and Shareholders' Equity	$ 2,242,983	$1,081,163	$ 470,99

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Condensed Consolidating Balance Sheets
March 31, 2001

	Subsidiary Issuer (TH USA)	Non-Guarantor Subsidiaries	Parent Company Guaranto (THC)
Assets			
Current Assets			
Cash and cash equivalents	$ 45,001	$ 173,171	$ 100,
Accounts receivable	105,716	131,698	
Inventories	76,511	133,720	
Other current assets	14,715	74,157	1,
Total current assets	241,943	512,746	101,
Property, plant and equipment, at cost, less accumulated depreciation and amortization	170,398	111,284	
Intangible assets, net of accumulated amortization	1,181,259	24,849	
Investment in subsidiaries	433,686	-	380,
Other assets	469	2,397	
Total Assets	$2,027,755	$ 651,276	$ 481,
Liabilities and Shareholders' Equity			
Current liabilities			
Current portion of long-term debt	$ 50,000	$ -	$
Accounts payable	20,813	17,815	
Accrued expenses and other current liabilities	56,334	114,511	
Intercompany payable / (receivable)	982,480	(266,097)	(716,
Total current liabilities	1,109,627	(133,771)	(715,
Long-term debt	529,495	-	
Deferred tax liability	213,995	(11,872)	
Other liabilities	-	2,078	
Shareholders' equity	174,638	794,841	1,197,
Total Liabilities and Shareholders' Equity	$2,027,755	$ 651,276	$ 481,

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Condensed Consolidating Statements of Cash Flows
Nine Months Ended December 31, 2001

	Subsidiary Issuer (TH USA)	Non-Guarantor Subsidiaries	Parent Company Guaranto (THC)
Cash flows from operating activities			
Net income / (loss)	$ 3,236	$ 129,549	$ 90,5
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	53,869	30,213	
Deferred taxes	(4,719)	-	
Changes in operating assets and liabilities	213,508	33,244	(108,4
Net cash provided by / (used in) operating activities	265,894	193,006	(17,9
Cash flows from investing activities			
Purchases of property and equipment	(16,281)	(55,537)	
Acquisition of businesses, net of cash acquired	-	(205,061)	
Net activity in investment in subsidiaries	(94,796)	-	(33,9
Net cash (used in) / provided by investing activities	(111,077)	(260,598)	(33,9
Cash flows from financing activities			
Payments on long-term debt	(70,000)	(350)	
Proceeds from the issuance of long-term debt	145,074	-	
Proceeds from the exercise of stock options	-	-	7,3
Short-term bank borrowings	-	15,246	
Net cash provided by / (used in) financing activities	75,074	14,896	7,3
Net increase / (decrease) in cash	229,891	(52,696)	(44,5
Cash and cash equivalents, beginning of period	45,001	173,171	100,2
Cash and cash equivalents, end of period	$ 274,892	$ 120,475	$ 55,7

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Condensed Consolidating Statements of Cash Flows
Nine Months Ended December 31, 2000

	Subsidiary Issuer (TH USA)	Non-Guarantor Subsidiaries	Parent Company Guarantor (THC)
Cash flows from operating activities			
Net income / (loss)	$ 770	$ 117,469	$ 98,142
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	53,626	24,550	-
Deferred taxes	(4,719)	-	-
Changes in operating assets and liabilities	73,715	(73,583)	(22,329)
Net cash provided by operating activities	123,392	68,436	75,813
Cash flows from investing activities			
Purchases of property and equipment	(13,175)	(27,661)	-
Net activity in investment in subsidiaries	(85,217)	-	(33,589)
Net cash (used in) / provided by investing activities	(98,392)	(27,661)	(33,589)
Cash flows from financing activities			
Payments on long-term debt	(37,500)	-	-
Proceeds from the exercise of stock options	-	-	471
Purchase of treasury shares	-	-	(50,116)
Repayments of short-term bank borrowings	-	(523)	-
Capital contribution	90,000	-	(90,000)
Net cash used in financing activities	52,500	(523)	(139,645)
Net decrease in cash	77,500	40,252	(97,421)
Cash and cash equivalents, beginning of period	25,500	115,756	168,141
Cash and cash equivalents, end of period	$ 103,000	$ 156,008	$ 70,720

Note 5 - Segment Reporting

The Company has three reportable segments: Wholesale, Retail and Licensing. The Company's reportable segments are business units that offer different products and services or similar products through different distribution channels. The Wholesale segment consists of the design and sourcing of men's sportswear and jeanswear, women's casualwear and jeanswear and childrenswear for wholesale distribution. The Retail segment reflects the operations of the Company's outlet and specialty stores, and the flagship stores through February

2001 (see Note 6 below). The Licensing segment consists of the operations of licensing the Company's trademarks for specified products in specified geographic areas. The Company evaluates performance and allocates resources based on segment profits. The accounting policies of the reportable segments are the same as those described in Note 1, "Summary of Significant Accounting Policies", to the Consolidated Financial Statements included in the Form 10-K. Segment profits are comprised of segment net revenue less cost of goods sold and selling, general and administrative expenses. Excluded from segment profits, however, are the vast majority of executive compensation, marketing, brand image marketing costs associated with its flagship stores (through February 2001), amortization of intangibles (including goodwill) and interest costs. Financial information for the Company's reportable segments is as follows:

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	Wholesale	Retail	Licensing	Total
Nine Months Ended December 31, 2001				
Total segment revenue	$1,031,799	$ 303,886	$ 83,137	$1,418,822
Segment profits	93,034	58,669	49,364	201,067
Depreciation and amortization included in segment profits	38,605	8,573	748	47,926
Nine Months Ended December 31, 2000				
Total segment revenue	$1,086,267	$ 274,852	$ 90,961	$1,452,080
Segment profits	120,962	58,374	54,214	233,550
Depreciation and amortization included in segment profits	38,561	5,459	745	44,765

	Wholesale	Retail	Licensing	Total
Three Months Ended December 31, 2001				
Total segment revenue	$ 334,288	$ 127,797	$ 25,713	$ 487,798
Segment profits	25,791	24,541	14,658	64,990
Depreciation and amortization included in segment profits	12,735	3,381	327	16,443
Three Months Ended December 31, 2000				
Total segment revenue	$ 349,585	$ 109,707	$ 28,274	$ 487,566
Segment profits	42,657	22,541	17,226	82,424
Depreciation and amortization included in segment profits	13,516	1,826	243	15,585

A reconciliation of total segment revenue to consolidated net revenue is as follows:

	Nine Months Ended December 31,	Three Months Ended December 31,

	2001	2000	2001	2000
Total segment revenue	$ 1,418,822	$ 1,452,080	$ 487,798	$ 487,566
Intercompany revenue	(41,899)	(43,142)	(13,005)	(11,807
Consolidated net revenue......	$ 1,376,923	$ 1,408,938	$ 474,793	$ 475,759

Intercompany revenue represents buying agency commissions from consolidated subsidiaries, which is classified under Licensing for segment reporting purposes.

A reconciliation of total segment profits to consolidated income before income taxes is as follows:

	Nine Months Ended December 31,		Three Months Ended
	2001	2000	2001
Segment profits	$201,067	$233,550	$ 64,990
Corporate expenses not allocated	70,485	82,127	15,094
Interest expense, net	21,383	18,416	8,794
Consolidated income before income taxes...	$109,199	$133,007	$ 41,102

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Note 6 - Special Charges

During the quarter ended March 31, 2000, the Company recorded a special charge of $62,153, before income taxes, principally related to the following: a redirection of the Company's full-price retail store program, which includes the closure of its flagship stores in Beverly Hills, California and London, England; the postponement of the launch of a new women's dress-up division; and the consolidation of the junior sportswear and junior jeans divisions. This charge consisted of provisions of $44,857 for the write-off of fixed assets and operating leases of the Company's flagship stores and the write-off of fixed assets related to the dress-up and junior sportswear divisions, $11,700 for inventory of the junior sportswear division and, to a lesser extent, the flagship stores, and $5,596 for severance and other costs. Inventory provisions were included in cost of sales in fiscal year 2000. As of December 31, 2001, the balance in the accrued special charge liability was $541, primarily related to liabilities of closing the Company's flagship store in Beverly Hills.

Note 7 - Share Repurchase Program

On April 7, 2000 the Company announced that its Board of Directors authorized the repurchase of up to $150,000 of its outstanding shares over a period of up to 18 months using available cash. Under this share repurchase program, the Company repurchased 6,192,600 shares at an aggregate cost of $61,231. In connection with the TH Europe Acquisition (as defined in Note 2 above), the Company's Board of Directors terminated the remaining portion of the share repurchase program, effective June 28, 2001.

Note 8 - Earnings Per Share

Basic earnings per share were computed by dividing net income by the average number of Ordinary Shares outstanding during the respective period, as required by the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share". Diluted earnings per share have been computed by dividing net income by the average number of Ordinary Shares outstanding plus the incremental shares that would have been outstanding assuming the exercise of stock options.

A reconciliation of shares used for basic earnings per share and those used for diluted earnings per share is as follows:

	Nine Months Ended December 31,	
	2001	2000
Weighted average shares outstanding	89,307,000	91,858,000
Net effect of dilutive stock options based on the treasury stock method using average market price ..	527,000	162,000
Weighted average share and share equivalents outstanding	89,834,000	92,020,000

Options to purchase 3,868,860 shares at December 31, 2001 and 7,692,230 shares at December 31, 2000 were not included in the computation of diluted earnings per share because their exercise prices were greater than the average market price of the Ordinary Shares.

Note 9 - Recently Issued Accounting Standards

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative and Hedging Activities" ("SFAS 133"). This statement became effective for the Company beginning in fiscal 2002. SFAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction.

The Company seeks to protect against adverse movements in foreign currency which might affect certain firm commitments or anticipated cash flows. These include the purchase of inventory and capital expenditures, and the collection of foreign royalty payments. The Company enters into forward contracts, generally with maturities of up to 15 months, to sell or purchase foreign currency in order to hedge against such risks. Forward contracts used for the purchase of inventory and capital expenditures are designated as fair value hedging instruments and forward contracts used in the collection of foreign royalty payments are designated as cash flow hedging instruments. The Company does not use financial instruments for speculative or trading purposes. At December 31, 2001, the Company had contracts to exchange foreign currencies, principally, the Japanese yen, the Canadian dollar, the Euro and the Pound Sterling having a total notional amount of $36,013. The unrealized loss associated with these contracts at December 31, 2001 was de minimus. Gains or losses on such forward contracts are recognized in other comprehensive income on a mark-to-market basis and, ultimately, in earnings at the time the underlying hedge transaction is completed or recognized in earnings. Because the Company only enters into fair value hedges and cash flow hedges and due to the limited use of derivative instruments, the adoption of SFAS 133 did not have a significant effect on the Company's results of operations or its financial position.

In May 2001, the FASB's Emerging Issues Task Force ("EITF") reached consensus on EITF 00-25, "Vendor Income Statement Characterizations of Consideration from a Vendor to a Retailer"("EITF 00-25"). This issue addresses when consideration from a vendor to a retailer (i) in connection with the retailer's purchase of the vendor's products or (ii) to promote sales of the vendor's products by the retailer should be classified in the vendor's income statement as a reduction of revenue. EITF 00-25 is applicable for fiscal quarters beginning after December 15, 2001 and under certain circumstances may require reclassification of prior periods. The Company's accounting policy is consistent with this consensus and, accordingly, the consensus will have no impact on the Company's statement of operations.

In late July 2001, the FASB released SFAS No. 141, "Business Combinations" ("SFAS 141"). This statement is effective for all business combinations completed after June 30, 2001. SFAS 141 prohibits the pooling-of-interests method of accounting for business combinations and prescribes criteria for the initial recognition and measurement of goodwill and other intangible assets, accounting for negative goodwill and the required disclosures in respect of business combinations.

In late July 2001, the FASB also released SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). This statement is effective for fiscal years beginning after December 15, 2001 and may not be retroactively applied to financial statements of prior periods. The Company has applied certain provisions of SFAS 142 as it pertains to business combinations for which the acquisition date is after June 30, 2001. Accordingly, the goodwill and indefinite lived intangible assets associated with the TH Europe Acquisition will not be amortized. The Company will continue to amortize goodwill and intangible assets that existed prior to June 30, 2001 until the full adoption of SFAS 142. SFAS 142 requires that goodwill, including previously existing goodwill, and intangible assets with indefinite useful lives not be amortized but that they be tested for impairment at least annually. Additionally, SFAS 142 provides new criteria for performing impairment tests on goodwill and intangible assets with indefinite useful lives. The impairment test for indefinite lived intangibles must be performed within three months of adoption. The impairment test for goodwill is a two-step process. SFAS 142 introduces the concept of assessing goodwill impairment at the reporting unit level. Within six months of adoption of SFAS 142, the Company must complete the first step of the transitional impairment test, which consists of comparing the carrying amount of the net assets of a reporting unit to its fair value. If the carrying amount exceeds the fair value, the second step of the goodwill impairment test must be completed as soon as possible, but no later than the end of the year of adoption. The second step of the impairment test consists of the comparison of the implied fair value of the reporting unit's goodwill to the carrying amount of such goodwill.

The Company has applied the provisions of SFAS 141 to the TH Europe Acquisition, since it was completed after June 30, 2001. Under this statement, approximately $165,458 of goodwill and $61,763 of indefinite lived intangibles, consisting of the acquired trademark rights, will not be amortized and will continue to be evaluated for impairment under SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", or

APB 17, "Intangible Assets", until the date that SFAS 142 is fully adopted. The Company plans to adopt SFAS 142 on April 1, 2002, as required.

Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 will continue to be amortized until the full adoption of SFAS 142. With respect to the Company's acquisition of its womenswear, jeanswear and Canadian licensees on May 8, 1998, the Company expects to have unamortized goodwill and other intangibles of approximately $611,290 and $560,536, respectively, and deferred tax liabilities of $230,837, at the date of such adoption. Such intangibles will be subject to the provisions of SFAS 142. Amortization expense related to goodwill and other intangibles was $12,731 and $13,168, respectively, for the nine months ended December 31, 2001. Upon adoption, the Company will no longer amortize existing goodwill or trademark rights, which are classified as indefinite life assets or related deferred tax liabilities. The combined effect of these adjustments is expected to be a reduction in operating expenses of approximately $32,000 per year and an increase in income tax expense of approximately $6,000 per year. Any impairment loss recognized as a result of adopting this standard would be recorded as a cumulative effect of a change in accounting principle in the Company's statements of operations for the fiscal year ending March 31, 2003 and would be a non-cash and non-operating charge. Because of the complexity involved in adopting certain provisions of SFAS 142, it is not practicable to reasonably estimate the impact of adopting these statements on the Company's financial statements at the date of this report, including whether any transitional impairment losses will be required to be recognized. However, any such loss could materially decrease the Company's reported results of net income and earnings per share or result in a net loss for fiscal year 2003.

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

(dollar amounts in thousands)

General

The following discussion and analysis should be read in conjunction with the Company's Condensed Consolidated Financial Statements and related notes thereto which are included herein.

Results of Operations

The following table sets forth the Condensed Consolidated Statements of Operations data as a percentage of net revenue.

	Nine Months Ended December 31,		Three
	2001	2000	2001
Net revenue	100.0 %	100.0 %	
Cost of goods sold	57.0	58.7	
Gross profit	43.0	41.3	
Depreciation and amortization	6.0	5.5	
Other SG&A expenses	27.5	25.1	

Total operating expenses	33.5	30.6	
Income from operations	9.5	10.7	
Interest expense, net	1.6	1.3	
Income before taxes	7.9	9.4	
Provision for income taxes	1.1	2.5	
Net income	6.8	6.9	

On July 5, 2001, the Company acquired TH Europe, its European licensee, for a purchase price of $200,000, funded using available cash. The acquisition has been accounted for using the purchase method of accounting and, accordingly, the operating results of TH Europe are included in the consolidated results of the Company from the date of the acquisition. The TH Europe Acquisition is expected to create long-term value for the Company's shareholders through TH Europe's expected contribution to revenues and net income beginning with the year of acquisition. The acquisition is also expected to further the Company's evolution as a premier global lifestyle brand and to provide the Company with distribution channel as well as geographic diversification. The purchase price paid reflected the current profitability and cash flow generation of TH Europe, as well as the rapid rate of growth in its projected revenues, net income and cash flows.

The business of TH Europe includes both wholesale distribution as well as the operation of retail stores. In addition, this acquisition results in a reduction in licensing segment revenue as the Company's royalties from TH Europe are eliminated in consolidation subsequent to the acquisition.

Nine Months Ended December 31, 2001 Compared to Nine Months Ended December 31, 2000

Net revenue decreased 2.3% to $1,376,923 in the nine months ended December 31, 2001 from $1,408,938 in the corresponding period in fiscal 2001. This decrease was due to decreases in the Company's Wholesale and Licensing segments offset, in part, by an increase in the Retail segment, as outlined below.

	Nine Months Ended December 31,		
	2001	2000	% Increase /(Decrease)
Wholesale	$ 1,031,799	$ 1,086,267	(5.0)%
Retail	303,886	274,852	10.6 %
Licensing	41,238	47,819	(13.8)%
Total	$ 1,376,923	$ 1,408,938	(2.3)%

Within the Wholesale segment, menswear sales decreased 7.8% (to $458,581 from $497,511) and childrenswear sales decreased 15.9% (to $199,198 from $236,790). These decreases were partially offset by an increase in womenswear sales of 6.3% (to $374,021 from $351,966). Each of the Wholesale divisions benefited from the addition of TH Europe in the second and third quarters of fiscal year 2002. The decline in Wholesale revenue was entirely due to volume reductions in the U.S., reflecting the Company's efforts to balance supply and demand.

The improvement in the Company's Retail segment was due to an increase in the number of stores and the expansion of certain stores into larger formats offset, in part, by a decrease in sales at existing stores. Management believes that the decrease at existing stores was due to reduced customer traffic and softer economic conditions. At December 31, 2001, the Company operated 160 retail stores, including 13 at TH Europe, as compared to 100 stores at December 31, 2000. Retail stores opened or acquired since December 31, 2000 contributed $46,096 of net revenue during the nine months ended December 31, 2001.

Revenue from the Licensing segment consists of third party licensing royalties and buying agency commissions. Licensing segment revenue decreased in the first nine months of fiscal 2002 due principally to the elimination of royalties and buying agency commissions from TH Europe since the date of the TH Europe Acquisition. New products introduced under licenses entered into since December 31, 2000 contributed $632 of net revenue during the first nine months of fiscal year 2002.

Gross profit as a percentage of net revenue increased to 43.0% in the first nine months of fiscal 2002 from 41.3% in the first nine months of fiscal 2001. The increase was mainly due to the contribution of TH Europe, which operates at a higher gross margin than the Company's overall Wholesale segment, an improved gross margin in the Company's Retail segment and an increase in the contribution to total revenue of the Retail segment, which generates a higher gross margin than the Wholesale segment, from 19.5% to 22.1%.

Operating expenses increased to $460,993, or 33.5% of net revenue, in the first nine months of fiscal 2002 from $430,395, or 30.6% of net revenue, in the corresponding period of fiscal 2001. This increase was due to increased expenses of $53,653 related to the expansion of the Company's business through its acquisition of TH Europe and the growth in the Retail segment, which opened or acquired 60 stores and expanded other stores since December 31, 2000. Partially offsetting this increase were savings of $23,055 due to the Company's continuing efforts to reduce expenses through divisional consolidations and other streamlining efforts. The Company expects these savings to continue for the foreseeable future.

Interest expense, net of interest income, increased to $21,383 in the first nine months of fiscal year 2002 from $18,416 in the corresponding period last year. The increase from 2001 to 2002 was primarily due to lower interest rates on invested cash balances in fiscal year 2002 as compared to the first nine months of fiscal year 2001 and the interest expense associated of the issuance of the 2031 Bonds. This increase was partially offset by lower rates on, and a lower average principal balance under, the Credit Facilities.

The provision for income taxes decreased to 14.1% of income before taxes in the nine-month period ended December 31, 2001 from 26.8% in the corresponding period last year. This decrease was primarily attributable to the relative level of earnings in the various taxing jurisdictions to which the Company's earnings are subject. The Company continues to refine its estimate of the annual effective tax rate at various points during the fiscal year and adjusts accordingly. The Company's expected rate for the full fiscal year 2002 is approximately 13.0%.

Three Months Ended December 31, 2001 Compared to Three Months Ended December 31, 2000

Net revenue decreased 0.2% to $474,793 in the three months ended December 31, 2001 from $475,759 in the corresponding period in fiscal 2001. This decrease was due to decreases in the Company's Licensing and Wholesale segments offset, in part, by an increase in the Retail segment, as outlined below.

	Three Months Ended December 31,		
	2001	2000	% Increase /(Decrease)
Wholesale	$ 334,288	$ 349,585	(4.4)%
Retail	127,797	109,707	16.4 %
Licensing	12,708	16,467	(22.9)%
Total	$ 474,793	$ 475,759	(0.2)%

The decrease in Wholesale segment sales was due primarily to decreases in menswear sales of 6.1% (to $139,569 from $148,565) and childrenswear sales of 11.7% (to $61,543 from $69,705). This was partially offset by an increase in womenswear sales of 1.4% (to $133,176 from $131,315). Each of the wholesale divisions benefited from the addition of TH Europe in the third quarter of fiscal year 2002, which partially offset the effect of volume reductions in the U.S., reflecting the Company's efforts to balance supply and demand.

The improvement in the Company's Retail segment was due to an increase in the number of stores and the expansion of certain stores into larger formats offset, in part, by a decrease in sales at existing stores. Management believes that the decrease at existing stores was due to reduced customer traffic and softer economic conditions. At December 31, 2001, the Company operated 160 retail stores, including 13 at TH Europe, as compared to 100 stores at December 31, 2000. Retail stores opened or acquired since December 31, 2000 contributed $27,030 of net revenue during the quarter ended December 31, 2001.

Revenue from the Licensing segment consists of third party licensing royalties and buying agency commissions. Licensing segment revenue decreased in the third quarter of fiscal 2002 compared to the same period last year due principally to the elimination of royalties and buying agency commissions from TH Europe in the fiscal 2002 quarter. New products introduced under licenses entered into since December 31, 2000 contributed $418 of net revenue in the third quarter of fiscal year 2002.

Gross profit as a percentage of net revenue increased to 42.4% in the third quarter of fiscal 2002 from 41.6% in the third quarter of fiscal 2001. The increase was mainly due to significantly higher gross margins in the Company's Retail segment and a higher contribution to total revenue of the Retail segment, which generates a higher gross margin than the Wholesale segment. Gross margins in our Wholesale segment were slightly better than those of a year ago due entirely to the contribution of TH Europe, which operates at a higher gross margin than the Company's overall Wholesale segment.

Operating expenses increased to $151,453, or 31.9% of net revenue, in the third quarter of fiscal 2002 from $133,924, or 28.1% of net revenue, in the third quarter of fiscal 2001. This increase was due to increased expenses of $23,253 related to the expansion of the Company's business through its acquisition of TH Europe and the growth in the Retail segment, which opened or acquired 60 stores and expanded other stores since December 31, 2000. Partially offsetting this increase were savings of $5,724 due to the Company's continuing efforts to reduce expenses through divisional consolidations and other streamlining efforts. The Company expects these savings to continue for the forseeable future.

Interest expense, net of interest income, increased to $8,794 in the third quarter of fiscal year 2002 from $5,941 in the corresponding quarter last year. The increase from 2001 to 2002 was primarily due to lower interest rates on invested cash balances in fiscal year 2002 as compared to the third quarter of fiscal year 2001 and the interest expenses associated with the issuance of the 2031 Bonds. This increase was partially offset by lower rates on, and a lower average principal balance under, the Credit Facilities.

The provision for income taxes decreased to 10.1% of income before taxes in the quarter ended December 31, 2001 from 26.7% in the corresponding quarter last year. This decrease was primarily attributable to the relative level of earnings in the various taxing jurisdictions to which the Company's earnings are subject. The Company continues to refine its estimate of the annual effective tax rate at various points during the fiscal year and adjusts accordingly. The Company's expected rate for the full fiscal year 2002 is approximately 13.0%.

Liquidity and Capital Resources

Cash provided by operations continues to be the Company's primary source of funds to finance operating needs, capital expenditures and debt service. Capital expenditures primarily relate to construction of additional retail stores as well as maintenance or selective expansion of the Company's in-store shop and fixtured area program. The Company's sources of liquidity are cash on hand, cash from operations and the Company's available credit.

The Company's cash and cash equivalents balance increased from $318,431 at March 31, 2001 to $451,098 at December 31, 2001. As described in Note 3 to the Condensed Consolidated Financial Statements, the Company issued the 2031 Bonds in December 2001. In addition, the Company generated cash from operations in excess of capital expenditures and scheduled debt repayments. Partially offsetting this increase, as described in Note 2 to the Condensed Consolidated Financial Statements, on July 5, 2001 the Company completed the TH Europe Acquisition for $200,000 funded from existing cash. A detailed analysis of the changes in cash and cash equivalents is presented in the Condensed Consolidated Statements of Cash Flows.

Capital expenditures were $71,818 during the nine months ended December 31, 2001. Capital expenditures were made principally in support of the Company's retail store openings, as well as on existing facilities and selected in-store shops and fixtured areas.

There were no significant committed capital expenditures at December 31, 2001. The Company expects fiscal 2002 capital expenditures to approximate $95,000 to $100,000, primarily related to the construction of additional retail stores as well as maintenance or selective expansion of the Company's in-store shop and fixtured area program.

At December 31, 2001, accrued expenses and other current liabilities included $34,617 of open letters of credit for inventory purchased. Additionally, at December 31, 2001, TH USA was contingently liable for unexpired bank letters of credit of $68,588 related to commitments of TH USA to suppliers for the purchase of inventories.

The Company's principal credit facilities consist of $250,000 of the 2003

Notes, $200,000 of the 2008 Notes, $150,000 of the 2031 Bonds and the Credit Facilities. The Notes were issued by TH USA and are fully and unconditionally guaranteed by THC. The indenture under which the Notes were issued contains restrictive covenants that are described in Note 3 to the Condensed Consolidated Financial Statements.

The Credit Facilities, which are guaranteed by THC, consist of an unsecured $250,000 TH USA five-year revolving credit facility, of which up to $150,000 may be used for direct borrowings, and an unsecured $200,000 five-year term credit facility, of which $60,000 remained outstanding as of December 31, 2001. The revolving credit facility is available for letters of credit, working capital and other general corporate purposes. As of December 31, 2001, $103,205 of the available borrowings under the revolving credit facility had been used to open letters of credit. There were no borrowings outstanding under the revolving credit facility at December 31, 2001. Borrowings under the Credit Facilities bear interest at variable rates which, on a weighted average annual basis, amounted to 2.85% and 4.51% as of, and for the nine-month period ended, December 31, 2001, respectively, and 7.36% and 7.16% as of, and for the nine-month period ended, December 31, 2000, respectively.

In January 2002, the Company paid the remaining balance of direct borrowings of $60,000 outstanding under the term credit facility.

Under the Credit Facilities, subsidiaries of THC may not pay dividends or make other payments in respect of capital stock to THC that, in the aggregate, exceed 33% of the Company's cumulative consolidated net income, commencing with the fiscal year ended March 31, 1998, less certain deductions. The Credit Facilities contain a number of other restrictive and financial covenants that are described in Note 3 to the Condensed Consolidated Financial Statements.

The Company was in compliance with all covenants in respect of the Notes and the Credit Facilities as of, and for the twelve-month period ended, December 31, 2001.

Certain of the Company's non-U.S. subsidiaries have separate credit facilities for working capital or trade financing purposes. In addition to short-term borrowings of $57,875, as of December 31, 2001 these subsidiaries were contingently liable for unexpired bank letters of credit of $20,555 related to commitments of these subsidiaries to suppliers for the purchase of inventory. Borrowings under these credit facilities bear interest at variable rates which, on a weighted average annual basis, amounted to 4.58% and 5.70% as of, and for the nine months ended, December 31, 2001, respectively.

The Company attempts to mitigate the risks associated with adverse movements in interest rates by establishing and maintaining a favorable balance of fixed and floating rate debt and cash on hand. Management also believes that flexibility remains available in the form of additional borrowing capacity, if so desired, in response to changing conditions in the debt markets. Because such flexibility exists, the Company does not normally enter into specific hedging transactions to further mitigate interest rate risks, except in the case of specific, material borrowing transactions. No interest rate hedging contracts were in place as of December 31, 2001.

The Company intends to fund its cash requirements for the balance of fiscal 2002 and future years from available cash balances, internally generated funds and borrowings available under the Credit Facilities. The Company believes that these resources will be sufficient to fund its cash requirements for such periods.

Seasonality

The Company's business is impacted by the general seasonal trends characteristic of the apparel and retail industries. The Company's Wholesale revenues, particularly those from its European operations, are generally highest during the second and fourth fiscal quarters, while the Company's Retail segment generally contributes its highest levels of revenue during the third fiscal quarter. As the timing of Wholesale product shipments and other events affecting the retail business may vary, results for any particular quarter might not be indicative of results for the full year.

Inflation

The Company believes that inflation has not had a material effect on its net revenue or profitability.

Exchange Rates

The Company receives United States dollars for approximately 90% of its product sales. Substantially all inventory purchases from contract manufacturers throughout the world are also denominated in United States dollars; however, purchase prices for the Company's products may be impacted by fluctuations in the exchange rate between the United States dollar and the local currencies of the contract manufacturers, which may have the effect of increasing the Company's cost of goods in the future. During the last three fiscal years, exchange rate fluctuations have not had a material impact on the Company's inventory costs; however, due to the number of currencies involved and the fact that not all foreign currencies react in the same manner against the United States dollar, the Company cannot quantify in any meaningful way the potential effect of such fluctuations on future income. The Company does not engage in hedging activities with respect to such exchange rate risk.

The Company does, however, seek to protect against adverse movements in foreign currency which might affect certain firm commitments or anticipated cash flows. These include the purchase of inventory, capital expenditures and the collection of foreign royalty payments. The Company enters into forward contracts, generally with maturities of up to 15 months, to sell or purchase foreign currency in order to hedge against such risks. The Company does not use financial instruments for speculative or trading purposes. At December 31, 2001, the Company had contracts to exchange foreign currencies, principally, the Japanese yen, the Canadian dollar, the Euro and the Pound Sterling having a total notional amount of $36,013. The unrealized loss associated with these contracts at December 31, 2001 was de minimus. Gains or losses on such forward contracts are recognized in other comprehensive income on a mark-to-market basis and, ultimately, in earnings at the time the underlying hedge transaction is completed or recognized in earnings.

Recently Issued Accounting Standards

A discussion of the effects of recently issued accounting standards appears in Note 9 to the Condensed Consolidated Financial Statements in Item 1 above.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are indicated by words or phrases such as "anticipate," "estimate," "project," "expect," "believe" and similar words or phrases. Such statements are based on current expectations and are subject to certain risks and uncertainties, including, but not limited to, the overall level of consumer spending on apparel, the financial strength of the retail industry generally and the Company's customers, distributors and franchisees in particular, changes in trends in the market segments and geographic areas in which the Company competes, the level of demand for the Company's products, actions by our major customers or existing or new competitors, changes in currency and interest rates and changes in economic or political conditions or trade regulations in the markets where the Company sells or sources its products, as well as other risks and uncertainties set forth in the Company's publicly-filed documents, including its Annual Report on Form 10-K for the fiscal year ended March 31, 2001. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See the sections entitled "Liquidity and Capital Resources" and "Exchange Rates" in Item 2 above, which sections are incorporated herein by reference.

PART II

ITEM 1 - LEGAL PROCEEDINGS

Saipan Litigation. On January 13, 1999, two actions were filed against the Company and other garment manufacturers and retailers asserting claims that garment factories located on the island of Saipan, which allegedly supply product to the Company and other co-defendants, engage in unlawful practices relating to the recruitment and employment of foreign workers. One action, brought in San Francisco Superior Court (the "State Action"), was filed by a union and three public interest groups alleging unfair competition and false advertising by the Company and others. It seeks equitable relief, restitution and disgorgement of profits relating to the allegedly wrongful conduct, as well as interest and an award of fees to the plaintiffs' attorneys. The other, an action seeking class action status initially filed in Federal Court for the Central District of California and subsequently transferred to the Federal Court in the District of Hawaii (the "Federal Action"), was brought on behalf of an alleged class consisting of the Saipanese factory workers. The defendants include both companies selling goods purchased from factories located on the island of Saipan and the factories themselves. This complaint alleges claims under RICO, the Alien Tort Claims Act, federal anti-peonage and indentured servitude statutes and state and international law. It seeks equitable relief and damages, including treble and punitive damages, interest and an award of fees to the plaintiffs' attorneys.

In addition, the same law firm that filed the State Action and the Federal Action has filed an action seeking class action status in the Federal Court in Saipan. This action is brought on behalf of Saipanese garment factory workers against the Saipanese factories and alleges violation of federal and Saipanese wage and employment laws. The Company is not a defendant in this action.

The Company has entered into settlement agreements with the plaintiffs in the Federal Action and in the State Action. As part of these agreements, the Company specifically denies any wrongdoing or any liability with regard to the claims made in the Federal Action and the State Action. The settlement agreement provides for a monetary payment, in an amount which is not material to the Company's financial position, results of operations or cash flows, to a class of plaintiffs in the Federal Action, as well as the creation of a monitoring program for factories in Saipan. The settlement must be approved by the Federal Court, and a class of plaintiffs certified. The Federal Action has been transferred to the federal judge in Saipan. Plaintiffs are presently challenging the transfer order. The judge in Saipan has scheduled the hearing on settlement approval and preliminary class certification for February 14, 2002.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

11. Computation of Net Income Per Ordinary Share

(b) Reports on Form 8-K

During the quarter ended December 31, 2001, the Company filed a Current Report on Form 8-K dated November 28, 2001 reporting matters under Item 5 thereof.

SIGNATURES

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

Tommy Hilfiger Corporation

Date: February 11, 2002 By: /s/ Joel J. Horowitz

Joel J. Horowitz
Chief Executive Officer and President
Tommy Hilfiger Corporation

Date: February 11, 2002 By: /s/ Joseph Scirocco

Joseph Scirocco
Principal Accounting Officer
Tommy Hilfiger Corporation

EXHIBIT INDEX

Exhibit Number	Description

11.	Computation of Net Income Per Ordinary Share