MICHAEL KORS HOLDINGS LTD

FORM 6-K/A
(Amended Report of Foreign Issuer)

Filed 11/14/12 for the Period Ending 11/14/12

Telephone	(852) 2371-8634
CIK	0001530721
Symbol	KORS
SIC Code	3100 - Leather & Leather Products
Industry	Apparel/Accessories
Sector	Consumer Cyclical

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

Form 6-K/A
(Amendment No. 1)

REPORT OF FOREIGN PRIVATE ISSUER
Pursuant to RULE 13a-16 or 15d-16 under the
Securities Exchange Act of 1934

For the month of November, 2012

Commission File Number: 001-35368

MICHAEL KORS HOLDINGS LIMITED
(Translation of registrant's name into English)

c/o Michael Kors Limited
Unit 1001, 10/F, Miramar Tower
132 Nathan Road
Tsim Sha Tsui, Hong Kong
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

EXPLANATORY NOTE

Michael Kors Holdings Limited (the “Company”) is furnishing this current report on Form 6-K/A to amend its current report furnished on November 13, 2012 reporting its financial results for the three and six months ended September 29, 2012 and October 1, 2011 (the “Second Quarter Report”). The Exhibit 99.2 to the Second Quarter Report is hereby amended and restated in its entirety as set forth in Exhibit 99.2 to this current report on Form 6-K/A. In addition, the Exhibit 99.1 to the Second Quarter Report is herby furnished in this report for the convenience of the reader.

The Company is filing this Form 6-K/A to amend the table which supports the discussion on page 10 in Exhibit 99.2 (Management’s Discussion and Analysis) of the Second Quarter Report, and replaces in full the table originally furnished with the Second Quarter Report regarding income from operations for the six months ended September 29, 2012 and October 1, 2011. Other than as expressly set forth above, this Form 6-K/A does not, and does not purport to, revise, update or amend the information presented in the Second Quarter Report or reflect any events that have occurred after the filing of the Second Quarter Report.

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.

MICHAEL KORS HOLDINGS LIMITED

Date: November 14, 2012

By:	/s/ Joseph B. Parsons
Name:	Joseph B. Parsons
Title:	Executive Vice President, Chief Financial Officer, Chief Operating Officer & Treasurer

Exhibit Index

Exhibit No.	Description
99.1	Consolidated Interim Financial Statements for the Three and Six Months Ended September 29, 2012 and October 1, 2011.
99.2	Management's Discussion and Analysis for the Three and Six Months Ended September 29, 2012 and October 1, 2011.

Exhibit 99.1

MICHAEL KORS HOLDINGS LIMITED

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED

SEPTEMBER 29, 2012 AND OCTOBER 1, 2011

MICHAEL KORS HOLDINGS LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	September 29, 2012	March 31, 2012
Assets		
Current assets		
Cash and cash equivalents	$ 312,244	$106,354
Receivables, net	185,700	127,226
Inventories	278,368	187,413
Deferred tax assets	11,833	11,145
Prepaid expenses and other current assets	99,163	31,925
Total current assets	887,308	464,063
Property and equipment, net	194,114	170,755
Intangible assets, net	13,533	14,146
Goodwill	14,005	14,005
Deferred tax assets	3,158	3,952
Other assets	7,366	7,504
Total assets	$1,119,484	$674,425
Liabilities and Shareholders' Equity		
Current liabilities		
Revolving line of credit	$ 11,616	$ 22,674
Accounts payable	87,410	67,326
Accrued payroll and payroll related expenses	141,981	33,710
Accrued income taxes	3,801	8,199
Accrued expenses and other current liabilities	32,281	33,097
Total current liabilities	277,089	165,006
Deferred rent	49,583	43,292
Deferred tax liabilities	8,872	6,300
Other long-term liabilities	5,962	3,590
Total liabilities	341,506	218,188
Commitments and contingencies		
Shareholders' equity		
Ordinary shares, no par value; 650,000,000 shares authorized, and 199,746,220 shares issued and outstanding at September 29, 2012, and 192,731,390 shares issued and outstanding at March 31, 2012	—	—
Additional paid-in capital	382,123	228,321
Accumulated other comprehensive gain (loss)	731	(735)
Retained earnings	395,124	228,651
Total shareholders' equity	777,978	456,237
Total liabilities and shareholders' equity	$1,119,484	$674,425

See accompanying notes to consolidated financial statements.

MICHAEL KORS HOLDINGS LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Net sales	$ 513,065	$ 287,925	$ 910,435	$ 520,207
Licensing revenue	19,870	17,607	37,365	28,451
Total revenue	532,935	305,532	947,800	548,658
Cost of goods sold	217,035	130,432	380,900	236,589
Gross profit	315,900	175,100	566,900	312,069
Selling, general and administrative expenses	145,714	107,307	271,716	190,799
Depreciation and amortization	12,258	8,515	25,313	17,016
Total operating expenses	157,972	115,822	297,029	207,815
Income from operations	157,928	59,278	269,871	104,254
Interest expense, net	555	(11)	990	660
Foreign currency gain	(275)	(3,236)	(650)	(1,729)
Income before provision for income taxes	157,648	62,525	269,531	105,323
Provision for income taxes	59,820	21,919	103,058	40,602
Net income	97,828	40,606	166,473	64,721
Net income applicable to preference shareholders	—	8,975	—	14,173
Net income available for ordinary shareholders	$ 97,828	$ 31,631	$ 166,473	$ 50,548
Weighted average ordinary shares outstanding:				
Basic	194,323,935	146,555,601	193,557,194	143,554,974
Diluted	200,192,291	187,580,153	199,791,708	183,378,696
Net income per ordinary share:				
Basic	$ 0.50	$ 0.22	$ 0.86	$ 0.35
Diluted	$ 0.49	$ 0.22	$ 0.83	$ 0.35
Statements of Comprehensive Income:				
Net income	$ 97,828	$ 40,606	$ 166,473	$ 64,721
Foreign currency translation adjustments	4,744	(7,633)	1,466	(5,654)
Comprehensive income	$ 102,572	$ 32,973	$ 167,939	$ 59,067

See accompanying notes to consolidated financial statements.

MICHAEL KORS HOLDINGS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(In thousands, except share data)
(Unaudited)

	Ordinary Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amounts				
Balance at March 31, 2012	192,731,390	$ —	$228,321	$ (735)	$228,651	$456,237
Net income	—	—	—	—	166,473	166,473
Foreign currency translation adjustment	—	—	—	1,466	—	1,466
Total comprehensive income	—	—	—	—	—	167,939
Issuance of restricted shares	3,548	—	—	—	—	—
Exercise of employee share options	7,011,282	—	23,667	—	—	23,667
Equity compensation expense	—	—	9,804	—	—	9,804
Tax benefits on exercise of share options	—	—	120,076	—	—	120,076
Contributed capital- services provided by former parent	—	—	255	—	—	255
Balance at September 29, 2012	199,746,220	$ —	$382,123	$ 731	$395,124	$777,978

See accompanying notes to consolidated financial statements.

MICHAEL KORS HOLDINGS LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended	
	September 29, 2012	October 1, 2011
Cash flows from operating activities		
Net income	$ 166,473	$ 64,721
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	25,313	17,016
Loss on disposal of fixed assets	148	—
Unrealized foreign exchange (gain) loss	(275)	(1,729)
Amortization of deferred financing costs	353	195
Amortization of deferred rent	1,954	2,199
Deferred income taxes	(960)	2,417
Equity compensation expense	9,804	—
Tax benefits on exercise of share options	(120,076)	—
Non-cash charges for services provided by former parent	255	—
Change in assets and liabilities:		
Receivables, net	(59,016)	(25,550)
Inventories	(91,036)	(30,689)
Prepaid expenses and other current assets	(5,828)	(6,981)
Other assets	(138)	(1,356)
Accounts payable	20,250	13,814
Accrued expenses and other current liabilities	160,120	(21,032)
Other long-term liabilities and deferred credits	6,339	6,839
Net cash provided by operating activities	113,680	19,864
Cash flows from investing activities		
Capital expenditures	(42,841)	(31,991)
Net cash used in investing activities	(42,841)	(31,991)
Cash flows from financing activities		
Repayments of borrowings under revolving credit agreement	(25,223)	(43,723)
Borrowings under revolving credit agreement	16,280	47,176
Exercise of employee share options	23,667	—
Tax benefits on exercise of share options	120,076	—
Proceeds form private placement	—	9,550
Payment of deferred financing costs	(48)	(1,983)
Net cash provided by financing activities	134,752	11,020
Effect of exchange rate changes on cash and cash equivalents	299	(658)
Net increase in cash and cash equivalents	205,890	(1,765)
Beginning of period	106,354	21,065
End of period	$ 312,244	$ 19,300
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 400	$ 812
Cash paid for income taxes	$ 50,862	$ 50,644
Supplemental disclosure of noncash investing and financing activities		
Accrued capital expenditures	$ 12,410	$ 4,972

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business and Basis of Presentation

Michael Kors Holdings Limited ("MKHL," and together with its subsidiaries, the "Company") was incorporated in the British Virgin Islands ("BVI") on December 13, 2002. The Company is a leading designer, marketer, distributor and retailer of branded women's apparel and accessories and men's apparel bearing the Michael Kors tradename and related trademarks "MICHAEL KORS," "MICHAEL MICHAEL KORS," "KORS MICHAEL KORS" and various other related trademarks and logos. The Company's business consists of retail, wholesale and licensing segments. Retail operations consist of collection stores, lifestyle stores, including concessions and outlet stores located primarily in the United States, Canada, Europe and Japan. Wholesale revenues are principally derived from major department and specialty stores located throughout the United States, Canada and Europe. The Company licenses its trademarks on products such as fragrances, cosmetics, eyewear, leather goods, jewelry, watches, coats, footwear, men's suits, swimwear, furs and ties.

For all periods presented, all ordinary share and per share amounts in these consolidated financial statements and the notes hereto have been adjusted retroactively to reflect the effects of a 3.8-to-1 share split, which was completed on November 30, 2011, as well as the effects of the July 2011 reorganization discussed in Note 2 below, as if such reorganization and share split had occurred at the beginning of the periods presented.

The interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. The consolidated financial statements as of September 29, 2012, and for the three and six months ended September 29, 2012 and October 1, 2011, are unaudited. In addition, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. The interim financial statements reflect all normal and recurring adjustments, which are, in the opinion of management, necessary for a fair presentation in conformity with GAAP. The interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended March 31, 2012, as filed with the Securities and Exchange Commission on June 12, 2012, in the Company's Annual Report on Form 20-F. The results of operations for the interim periods should not be considered indicative of results to be expected for the full fiscal year.

During September 2012 the Company completed its third secondary public offering. In connection with this offering 2,577,793 employee share options were exercised and a result the Company received approximately $118.0 million in cash for employee exercise proceeds, and the related income tax amounts, prior to the close of the quarter ended September 29, 2012. In the week subsequent to September 29, 2012, the entire $118.0 million was disbursed to the Company's employees and relevant taxing authorities, decreasing the September 29, 2012 balances in the Company's cash and cash equivalents and that of accrued payroll and payroll related expenses by that amount.

The Company utilizes a 52 to 53 week fiscal year ending on the Saturday closest to March 31. As such, the term "Fiscal Year" or "Fiscal" refers to the 52-week or 53-week period, ending on that day. The results for the three and six months ended September 29, 2012 and October 1, 2011, are based on a 13-week period and 26-week period, respectively.

2. Reorganization and Initial Public Offering

Prior to July 2011, the Company was owned 85% by SHL-Kors Limited, a BVI corporation, and 15% by Mr. Kors. SHL-Kors Limited was owned 100% by SHL Fashion Limited.

In July 2011, the Company underwent a corporate reorganization whereby the Company completed a merger with its former parent, SHL-Kors Limited, which merged with and into the Company, with the Company as the surviving corporation (the "First Merger"). Subsequent to the completion of the First Merger, SHL Fashion Limited, the former parent company of SHL-Kors Limited, merged with and into the Company (the "Second Merger"), with the Company as the surviving corporation. Upon completion of the Second Merger, the previous shareholders of SHL Fashion Limited (which include Sportswear Holdings Limited and the Company's chief executive officer, John Idol), and Mr. Kors became direct shareholders in the Company. Immediately prior to the Second Merger, the Company issued 475,796 preference shares and 6,579,656 ordinary shares to SHL Fashion Limited in consideration for the extinguishment of the Company's $101.7 million note payable to SHL Fashion Limited. This exchange was based on the fair value of the Company at the time of exchange. In the Second Merger, Mr. Kors and the shareholders of SHL Fashion received 147,134,033 newly issued ordinary shares and 10,639,716 newly issued convertible preference shares of the Company in proportion to their ownership interests held prior to the Second Merger. The Company considered this transaction to be the acquisition of the non-controlling interest in the Company held by Mr. Kors, and, accordingly, the Company accounted for this transaction as an equity transaction.

Following the reorganization, in a private placement in July 2011, a group of investors purchased (i) all 10,639,716 convertible preference shares issued in the reorganization from the previous SHL Fashion Limited shareholders and Mr. Kors for $490 million, and (ii) 217,137 newly issued convertible preference shares from the Company for $10.0 million, of which $9.5 million in proceeds, net of placement fees of $0.5 million, were received by the Company. As a result of the aforementioned transactions, the capital structure of the Company increased from 4,351 issued and outstanding ordinary shares to 147,134,033 issued and outstanding ordinary shares (650,000,000 authorized) and 10,856,853 authorized, issued and outstanding convertible preference shares.

In addition to the above, immediately prior to the reorganization, the redemption feature related to the contingently redeemable ordinary shares was eliminated, thereby, resulting in the reclassification of $6.7 million from temporary equity, which was classified as “contingently redeemable ordinary shares” in the Company’s consolidated balance sheets, to permanent equity as additional paid-in capital (see Note 12).

On December 20, 2011, the Company completed an initial public offering (“IPO”), which resulted in the sale of 54,280,000 shares at a price of $20 per share, all of which were sold by selling shareholders. The Company did not receive any of the proceeds related to the sale of these shares. On December 20, 2011, in connection with the consummation of the IPO, 10,856,853 convertible preference shares were converted into 41,256,025 ordinary shares at a ratio of 3.8-to-1 resulting in no preference shares issued and outstanding at March 31, 2012.

During March 2012, the Company completed a secondary offering of 25,000,000 ordinary shares at a price of $47.00 per share. Subsequent to this offering and in connection with it, the underwriters exercised their additional share purchase option during April 2012, where an additional 3,500,000 shares were offered at $47.00 per share. Similar to the IPO the Company did not receive any of the proceeds related to the sale of these shares and incurred approximately $0.7 million in fees related to the secondary offering which were charged to selling, general and administrative expenses during the fourth quarter of Fiscal 2012. As a result of the secondary offering, Sportswear Holdings Limited ownership decreased to 25.0% of the Company’s ordinary shares whereby the Company ceased to be a “controlled company” under New York Stock Exchange listing rules.

During September 2012, the Company completed an additional secondary offering of 23,000,000 ordinary shares at a price of $53.00 per share. Similar to the prior public offerings the Company did not receive any of the proceeds related to the sale of these shares and incurred approximately $0.9 million in fees related to the secondary offering, which were charged to selling, general and administrative expenses during the quarter ended September 29, 2012.

3. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to use judgment and make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The level of uncertainty in estimates and assumptions increases with the length of time until the underlying transactions are completed. The most significant assumptions and estimates involved in preparing the financial statements include allowances for customer deductions, sales returns, sales discounts and doubtful accounts, estimates of inventory recovery, the valuation of share-based compensation, valuation of deferred taxes and the estimated useful lives used for amortization and depreciation of intangible assets and property and equipment. Actual results could differ from those estimates.

Derivative Financial Instruments

The Company uses forward currency exchange contracts to manage its exposure to fluctuations in foreign currency for certain of its transactions. The Company in its normal course of business enters into transactions with foreign suppliers and seeks to minimize risk related to these transactions. The Company records these derivative instruments on the consolidated balance sheets at fair value. Though the Company uses forward contracts to hedge its cash flows, the Company does not designate these instruments as hedges for hedge accounting purposes. Accordingly, changes in the fair value of these contracts, as of each balance sheet date and upon maturity, are recorded in cost of sales or operating expenses, within the Company's consolidated statements of operations, as applicable to the transactions for which the forward exchange contracts were intended to hedge. During the six months ended September 29, 2012, the net loss of $0.7 million, related to the change in fair value of these contracts, was recorded as a component of cost of sales. The following table details the fair value of these contracts as of September 29, 2012, and March 31, 2012 (in thousands):

	September 29, 2012	March 31, 2012
Prepaid expenses and other current assets	$ 469	$ 1,318
Accrued expenses and other current liabilities	$ (153)	$ (276)

The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. In attempts to mitigate counterparty credit risk, the Company enters into contracts with carefully selected financial institutions based upon their credit ratings and certain other financial factors, adhering to established limits for credit exposure. The aforementioned forward contracts generally have a term of no more than 18 months. The period of these contracts is directly related to the foreign transaction they are intended to hedge. The notional amount of these contracts outstanding at September 29, 2012 was approximately $74.1 million.

Net Income Per Share

The Company reported earnings per share in conformity with the two-class method for calculating and presenting earnings per share for fiscal years prior to Fiscal 2013, due to the existence of both ordinary and convertible preference securities in those periods. Under the two-class method, basic net income per ordinary share is computed by dividing the net income available to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the period. Net income available to shareholders is determined by allocating undistributed earnings between holders of ordinary and convertible preference shares, based on the participation rights of the preference shares. Diluted net income per share is computed by dividing the net income available to both ordinary and preference shareholders by the weighted-average number of dilutive shares outstanding during the period.

The Company's basic net income per share excludes the dilutive effect of stock options and unvested restricted shares. It is based upon the weighted average number of ordinary shares outstanding during the period divided into net income.

Diluted net income per share reflects the potential dilution that would occur if share option grants or any other dilutive equity instruments were exercised or converted into ordinary shares. These equity instruments are included as potential dilutive securities to the extent they are dilutive under the treasury stock method for the applicable periods.

For the purposes of basic and diluted net income per share, as a result of the reorganization and exchange during July 2011, weighted average shares outstanding for purposes of presenting net income per share on a comparative basis were retroactively restated for all periods presented to reflect the exchange of ordinary shares for the newly issued ordinary and convertible preference shares as described in Note 2, as if such reorganization and exchange had occurred at the beginning of the periods presented. In addition, as a result of the 3.8-to-1 share split, which was completed on November 30, 2011, weighted average shares outstanding were retroactively restated for all periods presented.

The components of the calculation of basic net income per ordinary share and diluted net income per ordinary share are as follows (in thousands except share and per share data):

	Three Months Ended		Six Months Ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Numerator:				
Net Income	$ 97,828	$ 40,606	$ 166,473	$ 64,721
Net income applicable to preference shareholders		8,975	—	14,173
Net income available for ordinary shareholders	97,828	31,631	$ 166,473	50,548
Denominator:				
Basic weighted average ordinary shares	194,323,935	146,555,601	193,557,194	143,554,974
Weighted average dilutive share equivalents:				
Share options and restricted shares/units	5,868,356	—	6,234,514	—
Convertible preference shares	—	41,024,552	—	39,823,722
Diluted weighted average ordinary shares	200,192,291	187,580,153	199,791,708	183,378,696
Basic net income per ordinary share	$ 0.50	$ 0.22	$ 0.86	$ 0.35
Diluted net income per ordinary share	$ 0.49	$ 0.22	$ 0.83	$ 0.35

Share equivalents for the six months ended September 29, 2012 for 52,878 shares have been excluded from the above calculation as they were anti-dilutive. There were no anti-dilutive shares for the three months ended September 29, 2012. Share options for three and six months ended October 1, 2011 have been excluded from the calculation of diluted earnings per share as they were not exercisable during this period, as the Company had not completed an IPO.

Recent Accounting Pronouncements —The Company has considered all new accounting pronouncements and has concluded that there are no new pronouncements that have a material impact on results of operations, financial condition, or cash flows, based on current information.

4. Receivables, net

Receivables, net consist of (in thousands):

	September 29, 2012	March 31, 2012
Trade receivables:		
Credit risk assumed by factors	$ 101,456	$125,219
Credit risk retained by Company (1)	107,681	28,021
Receivables due from licensees	14,670	6,026
	223,807	159,266
Less allowances (2):	(38,107)	(32,040)
	$ 185,700	$127,226

(1) Included in this amount are $50.0 million of accounts receivable which are fully insured.
(2) Allowances include doubtful accounts, which were $0.9 million and $0.4 million, at September 29, 2012 and March 31, 2012, respectively. See below for the complete list allowances included in net receivables.

The Company has historically assigned a substantial portion of its trade receivables to factors in the United States and Europe whereby the factors assumed credit risk with respect to such receivables assigned. Under the factor agreements, factors bear the risk of loss from the financial inability of the customer to pay the trade receivable when due, up to such amounts as accepted by the factor; but not the risk of non-payment of such trade receivable for any other reason. Beginning in July 2012, the company assumed responsibility for a large portion of previously factored accounts receivable balances the majority of which were insured at September 29, 2012. The Company provides an allowance for such non-payment risk at the time of sale, which is recorded as an offset to revenue.

Receivables are presented net of allowances for sales returns, discounts, markdowns, operational chargebacks and doubtful accounts. Sales returns are determined based on an evaluation of current market conditions and historical returns experience. Discounts are based on open invoices where trade discounts have been extended to customers. Markdowns are based on retail sales performance, seasonal negotiations with customers, historical deduction trends and an evaluation of current market conditions. Operational chargebacks are based on deductions taken by customers, net of expected recoveries. Such provisions, and related recoveries, are reflected in net sales.

The allowance for doubtful accounts is determined through analysis of periodic aging of receivables for which credit risk is not assumed by the factors and assessments of collectability based on an evaluation of historic and anticipated trends, the financial conditions of the Company’s customers and the impact of general economic conditions. The past due status of a receivable is based on its contractual terms. Amounts deemed uncollectible are written off against the allowance when it is probable the amounts will not be recovered.

5. Property and Equipment

Property and equipment consist of (in thousands):

	September 29, 2012	March 31, 2012
Furniture and fixtures	$ 64,749	$ 58,009
Equipment	12,287	10,871
Computer equipment and software	25,093	20,280
In-store shops	57,069	48,058
Leasehold improvements	150,746	137,771
	309,944	274,989
Less: accumulated depreciation and amortization	(139,254)	(117,487)
Subtotal	170,690	157,502
Construction-in-progress	23,424	13,253
	$ 194,114	$ 170,755

Depreciation and amortization of property and equipment for the three and six months ended September 29, 2012, was $11.9 million and $24.6 million, respectively, for the three and six months ended October 1, 2011, was $8.1 million and $16.2 million, respectively.

6. Intangible Assets and Goodwill

The following table discloses the carrying values of intangible assets and goodwill (in thousands):

	September 29, 2012			March 31, 2012		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Trademarks	$23,000	$ 11,119	$11,881	$23,000	$ 10,545	$12,455
Lease Rights	3,981	2,329	1,652	3,838	2,147	1,691
Goodwill	14,005	—	14,005	14,005	—	14,005
	$40,986	$ 13,448	$27,538	$40,843	$ 12,692	$28,151

The trademarks relate to the Company's brand name and are amortized over twenty years. Lease rights are amortized over the respective terms of the underlying lease. Amortization expense was $0.4 million and $0.7 million, respectively, for the three and six months ended September 29, 2012, respectively, and $0.4 million and $0.8 million for the three and six months ended October 1, 2011, respectively.

Goodwill is not amortized but will be tested for impairment in the last quarter of Fiscal 2013, or whenever impairment indicators exist. As of September 29, 2012, cumulative impairment related to goodwill totaled $5.4 million. There were no charges related to the impairment of goodwill in the periods presented.

Estimated amortization expense for each of the next five years is as follows (in thousands):

Remainder of Fiscal 2013	$ 718
Fiscal 2014	1,417
Fiscal 2015	1,417
Fiscal 2016	1,410
Fiscal 2017	1,410
Thereafter	7,161
	$13,533

7. Credit Facilities

The Company has a secured revolving credit facility as amended (the “Credit Facility”), which expires on September 15, 2015. The Credit Facility provides for up to $100.0 million of borrowings and a sub-limit for loans and letters of credit to the Company’s European subsidiaries of $35.0 million. The Credit Facility provides for aggregate credit available to the Company equal to the lesser of (i) $100.0 million or (ii) the sum of specified percentages of eligible receivables and eligible inventory, as defined, plus $30.0 million. Amounts outstanding under the Credit Facility are collateralized by substantially all the assets of the Company. The Credit Facility contains financial covenants that, among other things, require the Company to maintain a fixed charge coverage ratio, set limits on capital expenditures and indebtedness, and restrict the incurrence of additional liens and cash dividends.

Borrowings under the Credit Facility accrue interest at the rate per annum announced from time to time by the agent of 1.25% above the prevailing applicable prime rate, or at a per annum rate equal to 2.25% above the prevailing LIBOR rate. The weighted average interest rate for the Credit Facility was 2.82% during the first six months of Fiscal 2013 and 4.17% for the first six months of Fiscal 2012. The Credit Facility requires an annual facility fee of $0.1 million, and an annual commitment fee of 0.35% on the unused portion of the available credit under the Credit Facility.

As of September 29, 2012, the amount of borrowings outstanding on the Credit Facility was $11.6 million, and the amount available for future borrowings was $38.9 million. The largest amount borrowed during the six months ended September 29, 2012, was $31.7 million. At September 29, 2012, there were documentary letters of credit outstanding of approximately $39.9 million and stand-by letters of credit outstanding of approximately $9.4 million.

8. Commitments and Contingencies

In the ordinary course of business, the Company is party to various legal proceedings and claims. Although the outcome of such items cannot be determined with certainty, the Company’s management does not believe that the outcome of all pending legal proceedings in the aggregate will have a material adverse effect on its cash flow, results of operations or financial position.

9. Fair Value of Financial Instruments

Financial assets and liabilities are measured at fair value using a valuation hierarchy for disclosure of fair value measurements. The determination of the applicable level within the hierarchy of a particular asset or liability depends on the inputs used in the valuation as of the measurement date, notably the extent to which the inputs are market-based (observable) or internally derived (unobservable). Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs are inputs based on a company’s own assumptions about market participant assumptions developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that a company has the ability to access at the measurement date.

Level 2 – Valuations based on quoted inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Company has historically entered into forward exchange contracts to hedge the foreign currency exposure of its firm commitments to purchase certain inventory from its manufacturers in Europe, as well as commitments for certain services. The forward contracts that are used in the program mature in eighteen months or less, consistent with the related purchase commitments. The Company attempts to hedge the majority of its total anticipated European purchase and service contracts. Gains and losses applicable to derivatives used for purchase commitments are recognized in cost of sales, and those applicable to other services are recognized in selling, general and administrative expenses. In determining the fair value of the Company’s foreign currency forward contracts, the Company’s only derivative instruments, observable inputs were available at September 29, 2012, and thus were relied upon for the valuation of the Company’s forward contracts.

The fair value of the forward contracts are included in prepaid expenses and other current assets, and in accrued expenses and other current liabilities in the consolidated balance sheets, depending on whether they represent assets or (liabilities) to the Company. Amounts recorded in the statement of operations relating to the changes in fair value of foreign currency contracts during the six months ended September 29, 2012, as a net loss, were approximately $0.7 million, most of which were included in cost of goods sold. All contracts are categorized in Level 2 of the fair value hierarchy as shown in the following table:

		Fair value at September 29, 2012, using:		
(In thousands)	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Foreign currency forward contracts- U.S. Dollar	$(153)	$ —	$ (153)	$ —
Foreign currency forward contracts- Euro	469	—	469	—
Total	$ 316	$ —	$ 316	$ —

The Company's cash and cash equivalents, accounts receivable and accounts payable, are recorded at carrying value, which approximates fair value. Borrowings under the Credit Facility are recorded at face value as the fair value of the Credit Facility is synonymous with its recorded value as it is a short-term debt facility due to its revolving nature.

10. Share-Based Compensation

The Company issues equity grants to certain employees and directors of the Company at the discretion of the Company's Compensation Committee. The Company has two equity plans, one adopted in Fiscal 2008, the Michael Kors (USA), Inc. Stock Option Plan (as amended and restated, the "2008 Plan"), and the other adopted in the third fiscal quarter of Fiscal 2012, the Michael Kors Holdings Limited Omnibus Incentive Plan (the "2012 Plan"). The 2008 Plan provided for the granting of share options only and was authorized to issue up to 23,980,823 ordinary shares. As of March 31, 2012, there are no shares available for the granting of equity awards under the 2008 Plan. The 2012 Plan allows for the granting of share options, restricted shares and restricted share units, and other equity awards, and authorizes a total issuance of up to 15,246,000 ordinary shares. At September 29, 2012, there were 12,766,743 ordinary shares available for the granting of equity awards under the 2012 Plan. Option grants issued from the 2008 Plan generally expire ten years from the date of the grant, and those issued under the 2012 Plan generally expire seven years from the date of the grant.

Share Options

Share options are generally exercisable at no less than the fair market value on the date of grant. The Company has issued two types of option grants, those that vest based on the attainment of a performance target and those that vest based on the passage of time. Performance based share options may vest based upon the attainment of one of two performance measures. One performance measure is an individual performance target, which is based upon certain performance targets unique to the individual grantee, and the other measure is a company-wide performance target, which is based on a cumulative minimum growth requirement in consolidated net equity. The individual performance target vests 20% of the total option grant each year the target is satisfied. The individual has ten years in which to achieve five individual performance vesting tranches. The company-wide performance target must be achieved over the ten-year term. Performance is measured at the end of the term, and any unvested options under the grant vest if the target is achieved. The Company-wide performance target is established at the time of the grant. The target metrics underlying individual performance vesting requirements are established for each recipient each year up until such time as the grant is fully vested. Options subject to time based vesting requirements become vested in four equal increments on each of the first, second, third and fourth anniversaries of the date on which such options were awarded.

The following table summarizes the share option activity during the six months ended September 29, 2012, and information about options outstanding September 29, 2012:

	Number of Options	Weighted Average Exercise price	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in thousands)
Outstanding at March 31, 2012	19,542,400	$ 6.59		
Granted	8,317	$ 38.74		
Exercised	(7,011,282)	$ 3.38		
Canceled/forfeited	(309,490)	$ 8.61		
Outstanding at September 29, 2012	12,229,945	$ 8.40	7.84	$ 548,583
Vested or expected to vest at September 29, 2012	11,373,849	$ 8.40	7.84	
Vested and exercisable at September 29, 2012	3,222,955	$ 3.49	6.66	$ 160,401

The total intrinsic value of options exercised during the six months ended September 29, 2012 was $324.6 million. The cash received from options exercised during this period was $23.7 million. There were no options exercised during the six months ended October 1, 2011.

The weighted average grant date fair value for options granted during the three and six months ended September 29, 2012 was $18.20 and $16.42, respectively. The weighted average grant date fair value was $6.90 for options granted during the three months ended October 1, 2011.There were no options granted during the first three months of Fiscal 2012.The following table represents assumptions used to estimate the fair value of options:

	Three Months Ended		Six Months Ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Expected dividend yield	0.0%	0.0%	0.0%	0.0%
Volatility factor	50.2%	43.7%	50.2%	43.7%
Weighted average risk-free interest rate	0.6%	2.4%	0.6%	2.4%
Expected life of option	4.75 years	10 years	4.75 years	10 years

Restricted Shares

The Company grants restricted shares and restricted share units at the fair market value at the date of the grant. Expense for restricted share grants is calculated based on the intrinsic value of the grant, which is the difference between the cost to the recipient and the fair market value of the underlying share (grants are generally issued at no cost to the recipient). Expense is recognized ratably over the vesting period which is generally four years from the date of the grant. Similar to share options, restricted share grants vest in four equal increments on each of the first, second, third and fourth anniversaries of the date on which such grants were awarded. Restricted share units vest in full on the first anniversary of the date of the grant.

The following table summarizes restricted shares and restricted share units under the 2012 Plan as of September 29, 2012 and changes during the fiscal year then ended:

	Number of Unvested Restricted Shares/Units	Weighted Average Grant Date Fair Value
Unvested at March 31, 2012	836,874	$ 22.53
Granted	10,550	$ 41.47
Vested	—	$ —
Canceled/forfeited	—	$ —
Unvested at September 29, 2012	847,424	$ 22.70

Compensation expense attributable to share-based compensation for the three and six months ended September 29, 2012 was approximately $4.8 million and $9.8 million, respectively. There was no compensation expense recognized during the three and six months ended October 1, 2011, as the Company had not completed an IPO which was one of the vesting requirements for all equity grants. Had the completion of an IPO occurred as of the beginning of the periods presented, compensation expense of $3.1 million and $5.3 million would have been recognized for three and six months ended October 1, 2011. As of September 29, 2012, the remaining unrecognized share-based compensation expense for non-vested share options and restricted shares to be expensed in future periods is $51.6 million, and the related weighted-average period over which it is expected to be recognized is 5.11 years. There were 9,006,990 and 3,222,955 vested and non-vested outstanding options, respectively, at September 29, 2012. There were 823,622 unvested restricted grants and 23,802 unvested restricted share units at September 29, 2012. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company estimates forfeitures based on its historical forfeiture rate since the inception of stock option granting. The estimated value of future forfeitures for equity grants as of September 29, 2012 is approximately $3.6 million.

11. Segment Information

The Company operates its business through three operating segments—Retail, Wholesale and Licensing—which are based on its business activities and organization. The operating segments are segments of the Company for which separate financial information is available and for which operating results are evaluated regularly by executive management in deciding how to allocate resources, as well as in assessing performance. The primary key performance indicators are net sales or revenue (in the case of Licensing) and operating income for each segment. The Company's reportable segments represent channels of distribution that offer similar merchandise, customer experience and sales/marketing strategies. Sales of the Company's products through Company owned stores for the Retail segment include "Collection," "Lifestyle" including "concessions," and outlet stores located throughout North America, Europe, and Japan. Products sold through the Retail segment include women's apparel, accessories (which include handbags and small leather goods such as wallets), footwear and licensed products, such as watches, fragrances and eyewear. The Wholesale segment includes sales primarily to major department stores and specialty shops throughout North America and Europe. Products sold through the Wholesale segment include accessories (which include handbags and small leather goods such as wallets), footwear and women's and men's apparel. The Licensing segment includes royalties earned on licensed products and use of the Company's trademarks, and rights granted to third parties for the right to sell the Company's products in certain geographical regions such as Korea, the Philippines, Singapore, Malaysia, the Middle East, Russia, Turkey, China, Hong Kong, Macau and Taiwan. All intercompany revenues are eliminated in consolidation and are not reviewed when evaluating segment performance. Corporate overhead expenses are allocated to the segments based upon specific usage or other allocation methods.

The Company has allocated $12.1 million and $1.9 million of its recorded goodwill to its Wholesale and Licensing segments, respectively. The Company does not have identifiable assets separated by segment. The following table presents the key performance information of the Company's reportable segments (in thousands):

	Three Months Ended		Six Months Ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Revenue:				
Net sales: Retail	$ 242,280	$133,431	$ 457,284	$255,775
Wholesale	270,785	154,494	453,151	264,432
Licensing	19,870	17,607	37,365	28,451
Total revenue	$ 532,935	$305,532	$ 947,800	$548,658
Income from operations:				
Retail	$ 68,436	$ 25,625	$ 128,315	$ 53,547
Wholesale	77,399	21,511	118,117	32,379
Licensing	12,093	12,142	23,439	18,328
Income from operations	$ 157,928	$ 59,278	$ 269,871	$104,254

Total revenue (as recognized based on country of origin), and long-lived assets by geographic location of the consolidated Company are as follows (in thousands):

	Three Months Ended		Six Months Ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Revenue:				
North America (U.S. and Canada)	$ 471,424	$274,701	$ 848,573	$500,469
Europe	56,651	28,709	90,038	44,573
Other regions	4,860	2,122	9,189	3,616
Total revenue	$ 532,935	$305,532	$ 947,800	$548,658

	As of	
	September 29, 2012	March 31, 2012
Long-lived assets:		
North America (U.S. and Canada)	$ 169,143	$151,516
Europe	31,359	27,857
Other regions	7,145	5,528
Total Long-lived assets:	$ 207,647	$184,901

12. Agreements with Shareholders and Related Party Transactions

During July 2011, the note payable to the Company's former parent, for $101.7 million, was exchanged for 475,796 preference shares and 6,579,662 ordinary shares, after taking into effect the impact of the share exchange that resulted from the reorganization discussed in Note 2. Accordingly, as of March 31, 2012, there are no outstanding balances related to the note.

From time to time, Sportswear Holdings Limited or its affiliates have provided a plane for purposes of business travel to the directors and senior management of the Company at no charge to the Company. During the six months ended September 29, 2012, $0.3 million, representing the estimated costs of these services, which are based on allocated or incremental cost, was charged to selling, general and administrative expenses as an offset to contributed capital (additional paid-in capital). The Company or its chief executive officer may arrange a plane owned by Sportswear Holdings Limited or its affiliates to be used for the Company's directors and senior management for purposes of business travel on terms and conditions not less favorable to the Company than it would receive in an arm's-length transaction with a third party. To the extent the Company's chief executive officer enters into such an arrangement for business travel, the Company will reimburse him for the actual market price paid for the use of such plane. These reimbursed expenses will be charged to the Company's operations but will not result in an increase to additional paid-in capital.

The Company's Chief Creative Officer Michael Kors, John Idol, and certain of the Company's current shareholders, including Sportswear Holdings Limited, jointly own Michael Kors Far East Holdings Limited, a BVI company. During Fiscal 2012, the Company entered into certain licensing agreements with certain subsidiaries of Michael Kors Far East Holdings Limited (the "Licensees") which provide the Licensees with certain exclusive rights for use of the Company's trademarks within China, Hong Kong, Macau and Taiwan, and to import, sell, advertise and promote certain of the Company's products in these regions, as well as to own and operate stores which bear the Company's tradenames. The agreements between the Company and subsidiaries of Michael Kors Far East Holdings Limited expire on March 31, 2041, and may be terminated by the Company at certain intervals if certain minimum sale benchmarks are not met. As of September 29, 2012, there were no royalties earned under these agreements. The Company will not earn royalties under this agreement until the start of its fiscal 2014 year. The Company also provides the Licensees with certain services, including, but not limited to, supply chain and logistics support, and management information system support at the request of the Licensees, for which the Company charges a service fee based on allocated internal costs employed in delivering the services, and includes a contractually agreed upon markup. During the six months ended September 29, 2012, amounts charged to the Licensees for these services totaled $0.1 million, which is recorded in other selling, general and administrative expenses.

Exhibit 99.2

MICHAEL KORS HOLDINGS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED

SEPTEMBER 29, 2012 AND OCTOBER 1, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the consolidated financial statements and notes thereto included as part of this interim report. This report contains forward-looking statements that are based upon current expectations. We sometimes identify forward-looking statements with such words as "may," "expect," "anticipate," "estimate," "seek," "intend," "believe" or similar words concerning future events. The forward-looking statements contained herein, include, without limitation, statements concerning future revenue sources and concentration, gross profit margins, selling and marketing expenses, capital expenditures, research and development expenses, general and administrative expenses, capital resources, new stores, additional financings or borrowings and additional losses and are subject to risks and uncertainties including, but not limited to, those discussed in this report that could cause actual results to differ materially from the results contemplated by these forward-looking statements. We also urge you to carefully review " Cautionary Note Regarding Forward-Looking Statements" and the risk factors set forth under "Risk Factors" in our Registration Statement on Form F-1, as amended (File No. 333-183778), filed on September 7, 2012, with the Securities and Exchange Commission.

Overview

Our Business

We are a rapidly growing global luxury lifestyle brand led by a world-class management team and a renowned, award-winning designer. Since launching his namesake brand over 30 years ago, Michael Kors has featured distinctive designs, materials and craftsmanship with a jet-set aesthetic that combines stylish elegance and a sporty attitude. Mr. Kors' vision has taken the Company from its beginnings as an American luxury sportswear house to a global accessories, footwear and apparel company with a presence in 85 countries. As a highly recognized luxury lifestyle brand in North America with accelerating awareness in targeted international markets, we have experienced exceptional sales momentum and have a clear trajectory for significant future growth.

We operate our business in three segments—retail, wholesale and licensing—and we have a strategically controlled global distribution network focused on company-operated retail stores, leading department stores, specialty stores and select licensing partners. As of September 29, 2012, our retail segment included 214 North American retail stores, including concessions, and 55 international retail stores, including concessions, in Europe and Japan. As of September 29, 2012, our wholesale segment included wholesale sales through approximately 2,066 department store and specialty store doors in North America and wholesale sales through approximately 817 department store and specialty store doors internationally (department stores as they are referred to here are comprised of full-price department stores only). Our remaining revenue is generated through our licensing segment, through which we license to third parties certain production, sales and/or distribution rights. During the first six months of Fiscal 2013, our licensing segment accounted for approximately 3.9% of our total revenue and consisted primarily of royalties earned on licensed products and our geographic licenses.

We offer two primary collections: the *Michael Kors* luxury collection and the *MICHAEL Michael Kors* accessible luxury collection. The *Michael Kors* collection establishes the aesthetic authority of our entire brand and is carried in many of our retail stores as well as in the finest luxury department stores in the world. In 2004, we introduced the *MICHAEL Michael Kors* collection, which has a strong focus on accessories, in addition to offering footwear and apparel, and addresses the significant demand opportunity in accessible luxury goods. Taken together, our two collections target a broad customer base while retaining a premium luxury image.

As of November 9, 2012, we had 199,771,415 ordinary shares outstanding.

Certain Factors Affecting Financial Condition and Results of Operations

Costs of Manufacturing . Our industry is subject to volatility in costs related to certain raw materials used in the manufacturing of our products. This volatility applies primarily to costs driven by commodity prices, which can increase or decrease dramatically over a short period of time. These fluctuations may have a material impact on our sales, results of operations and cash flows to the extent they occur. We use commercially reasonable efforts to mitigate these effects by sourcing our products as efficiently as possible. In addition, manufacturing labor costs are also subject to degrees of volatility based on local and global economic conditions. We use commercially reasonable efforts to source from localities that suit our manufacturing standards and result in more favorable labor driven costs to our products.

Demand for Our Accessories and Related Merchandise . Our performance is affected by trends in the luxury goods industry, as well as shifts in demographics and changes in lifestyle preferences. Currently, demand for our products is predicted to grow. According to the *Altagamma Studies**, demand for the worldwide luxury goods industry is predicted to grow from approximately $250.2 billion in 2011 to between $307.9 billion and $314.4 billion in 2014. We believe that we are well positioned to capitalize on the continued growth of the accessories product category, as it is one of our primary product category focuses.

* Comprised of: the Luxury Goods Worldwide Market Monitor, Spring 2012 Update, Luxury Goods Worldwide Market Study, 2011, Luxury Goods Worldwide Market Study Spring 2011 Update, the Luxury Goods Worldwide Market Study, and the Altagamma 2006 Worldwide Markets Monitor (together, the “Altagamma Studies”). These studies were prepared by the Altagamma Foundation in cooperation with Bain & Company and can be obtained free of charge or at a nominal cost by contacting Bain & Company’s media contacts at cheryl.krauss@bain.com or frank.pinto@bain.com. While we believe that each of these studies and publications is reliable, we have not independently verified market and industry data from third-party sources. The Altagamma Studies analyze the global luxury goods market, including the market and financial performance of more than 230 of the world’s leading luxury goods companies and brands. All figures derived from the Altagamma Studies are based on an exchange rate of $1.31 to €1.00.

Segment Information

We generate revenue through three business segments: retail, wholesale and licensing. The following table presents our revenue and income from operations by segment for the three and six months ended September 29, 2012 and October 1, 2011 (in thousands):

	Three Months Ended		Six Months Ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Revenue:				
Net sales: Retail	$ 242,280	$133,431	$ 457,284	$255,775
Wholesale	270,785	154,494	453,151	264,432
Licensing	19,870	17,607	37,365	28,451
Total revenue	$ 532,935	$305,532	$ 947,800	$548,658
Income from operations:				
Retail	$ 68,436	$ 25,625	$ 128,315	$ 53,547
Wholesale	77,399	21,511	118,117	32,379
Licensing	12,093	12,142	23,439	18,328
Income from operations	$ 157,928	$ 59,278	$ 269,871	$104,254

Retail

From the beginning of Fiscal 2007, when we first undertook our major retail growth initiative, through September 29, 2012, we have leveraged our successful retail store formats by opening a total of 260 new stores. During this time period, we have grown our North American retail presence significantly, increasing our North American store count by 204 stores, as well as increasing our international store count by 55 stores.

The following table presents the growth in our network of retail stores during the three and six months ended September 29, 2012 and October 1, 2011:

	Three Months Ended		Six Months Ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Full price retail stores including concessions:				
Number of stores	180	132	180	132
Increase during period	12	13	22	19
Percentage increase vs. prior period	36.4%	41.9%	36.4%	41.9%
Total gross square footage	369,402	267,276	369,402	267,276
Average square footage per store	2,052	2,025	2,052	2,025
Outlet stores:				
Number of stores	89	71	89	71
Increase during period	4	13	10	18
Percentage increase vs. prior period	25.4%	51.1%	25.4%	51.1%
Total gross square footage	245,244	195,482	245,244	195,482
Average square footage per store	2,756	2,753	2,756	2,753

Wholesale

We sell our products directly to department stores across North America and Europe to accommodate consumers who prefer to shop at major department stores. In addition, we sell to specialty stores for those consumers who enjoy the boutique experience afforded by such stores. We continue to focus our sales efforts and drive sales in existing locations by enhancing presentation, primarily through the creation of more shop-in-shops with our proprietary fixtures that effectively communicate our brand and create a more personalized shopping experience for consumers. We tailor our assortments through wholesale product planning and allocation processes to better match the demands of our department store customers in each local market.

The following table presents the growth in our network of full-price wholesale doors, which include department store and specialty store doors, during the six months ended September 29, 2012 and October 1, 2011:

	Three Months Ended		Six Months Ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Number of full-price wholesale doors	2,883	2,350	2,883	2,350
Increase during period	74	242	206	318
Percentage increase vs. prior period	22.7%	32.4%	22.7%	32.4%

Licensing

We generate revenue through product and geographic licensing arrangements. Our product license agreements allow third parties to use our brand name and trademarks in connection with the manufacturing and sale of a variety of products, including watches, fragrances, eyewear and jewelry. In our product licensing arrangements, we take an active role in the design process, marketing and distribution of products under our brands. Our geographic licensing arrangements allow third parties to use our tradenames in connection with the retail and/or wholesale sales of our branded products in specific geographic regions.

Key Performance Indicators and Statistics

We use a number of key indicators of operating results to evaluate our performance, including the following (dollars in thousands):

	Three Months Ended		Six Months Ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Total revenue	$ 532,935	$305,532	$ 947,800	$548,658
Gross profit as a percent of total revenue	59.3%	57.3%	59.8%	56.9%
Income from operations	$ 157,928	$ 59,278	$ 269,871	$104,254
Retail net sales- North America	$ 213,817	$121,981	$ 405,927	$234,907
Retail net sales- Europe	$ 23,603	$ 9,328	$ 42,168	$ 17,252
Retail net sales- Japan	$ 4,860	$ 2,122	$ 9,189	$ 3,616
Increase in comparable store net sales- North America	45.1%	39.9%	41.9%	42.9%
Increase in comparable store net sales- Europe	50.3%	24.9%	38.0%	19.6%
Increase in comparable store net sales- Japan	17.0%	21.8%	18.4%	21.8%
Wholesale net sales- North America	$ 237,737	$135,113	$ 405,281	$237,111
Wholesale net sales- Europe	$ 33,048	$ 19,381	$ 47,870	$ 27,321

General Definitions for Operating Results

Net sales consist of sales from comparable retail stores and non-comparable retail stores, net of returns and markdowns, as well as those made to our wholesale customers, net of returns, discounts, markdowns and allowances.

Comparable store sales include sales from a store that has been opened for one full year after the end of the first month of its operations. All comparable store sales are presented on a 52-week basis.

Licensing revenue consists of fees charged on sales of licensed products to our licensees as well as contractual royalty rates for the use of our trademarks in certain geographic territories.

Cost of goods sold includes the cost of inventory sold, freight-in on merchandise and foreign currency exchange gains/losses related to forward contracts for purchase commitments.

Gross profit is total revenue (net sales plus licensing revenue) minus cost of goods sold.

Selling, general and administrative expenses consist of warehousing and distribution costs, rent for our distribution centers, store payroll, store occupancy costs (such as rent, common area maintenance, real estate taxes and utilities), information technology and systems costs, corporate payroll and related benefits, advertising and promotion expense and other general expenses.

Depreciation and amortization includes depreciation and amortization of fixed and definite-lived intangible assets.

Impairment charges consist of charges to write-down both fixed and intangible assets to fair value.

Income from operations consists of gross profit minus total operating expenses.

Interest expense represents interest and fees on our revolving credit facility (“Credit Facility”) and amortization of deferred financing costs, offset by interest earned on highly liquid investments (investments purchased with an original maturity of six months or less, classified as cash equivalents).

Foreign currency gain represents unrealized income or loss from the re-measurement of monetary assets and liabilities denominated in currencies other than the functional currencies of our subsidiaries.

Results of Operations

Comparison of the three months ended September 29, 2012 with the three months ended October 1, 2011

The following table details the results of our operations for the three months ended September 29, 2012 and for the three months ended October 1, 2011, and expresses the relationship of certain line items to total revenue as a percentage (dollars in thousands):

	Three Months Ended September 29, 2012	Three Months Ended October 1, 2011	$ Change	% Change	% of Total Revenue for the three months ended September 29, 2012	% of Total Revenue for the three months ended October 1, 2011
Statement of Operations Data:						
Net sales	$ 513,065	$287,925	$225,140	78.2%		
Licensing revenue	19,870	17,607	2,263	12.9%		
Total revenue	532,935	305,532	227,403	74.4%		
Cost of goods sold	217,035	130,432	86,603	66.4%	40.7%	42.7%
Gross profit	315,900	175,100	140,800	80.4%	59.3%	57.3%
Selling, general and administrative expenses	145,714	107,307	38,407	35.8%	27.3%	35.1%
Depreciation and amortization	12,258	8,515	3,743	44.0%	2.3%	2.8%
Total operating expenses	157,972	115,822	42,150	36.4%	29.6%	37.9%
Income from operations	157,928	59,278	98,650	166.4%	29.6%	19.4%
Interest expense, net	555	(11)	566	-5145.5%	0.1%	0.0%
Foreign currency gain	(275)	(3,236)	2,961	-91.5%	-0.1%	-1.1%
Income before provision for income taxes	157,648	62,525	95,123	152.1%	29.6%	20.5%
Provision for income taxes	59,820	21,919	37,901	172.9%	11.2%	7.2%
Net income	$ 97,828	$ 40,606	$ 57,222	140.9%		

Total Revenue

Total revenue increased $227.4 million, or 74.4%, to $532.9 million for the three months ended September 29, 2012, compared to $305.5 million for the three months ended October 1, 2011. The increase was the result of an increase in our comparable and non-comparable retail store sales and wholesale sales, as well as increases in our licensing revenue.

The following table details revenues for our three business segments (dollars in thousands):

	Three Months Ended September 29, 2012	Three Months Ended October 1, 2011	$ Change	% Change	% of Total Revenue for the three months ended September 29, 2012	% of Total Revenue for the three months ended October 1, 2011
Revenue:						
Net sales: Retail	$ 242,280	$133,431	$108,849	81.6%	45.5%	43.7%
Wholesale	270,785	154,494	116,291	75.3%	50.8%	50.6%
Licensing	19,870	17,607	2,263	12.9%	3.7%	5.8%
Total revenue	$ 532,935	$305,532	$227,403			

Retail

Net sales from our retail stores increased $108.9 million, or 81.6%, to $242.3 million for the three months ended September 29, 2012, compared to $133.4 million for the three months ended October 1, 2011. We operated 269 retail stores, including concessions, as of September 29, 2012, compared to 203 retail stores, including concessions, as of October 1, 2011. During the three months ended September 29, 2012, our comparable store sales growth increased $58.0 million, or 45.1%, from the three months ended October 1, 2011. The growth in our comparable store sales was primarily due to an increase in sales of our accessories line during the three months ended September 29, 2012. In addition, our non-comparable store sales were $50.9 million during the three months ended September 29, 2012, which was primarily the result of opening 66 new stores since October 1, 2011.

Wholesale

Net sales to our wholesale customers increased $116.3 million, or 75.3%, to $270.8 million for the three months ended September 29, 2012, compared to $154.5 million for the three months ended October 1, 2011. The increase in our wholesale net sales occurred primarily as a result of increased sales of our accessories line during the three months ended September 29, 2012, as we continue to enhance our presence in department and specialty stores by converting more doors to shop-in-shops, and in continuing our expansion of our European operations. Net sales from our European operations increased approximately 70.5% during the three months ended September 29, 2012 compared to the three months ended October 1, 2011, due largely to an increase in full-price doors to 817 from 549 in the same period last year.

Licensing

Revenues earned on our licensing agreements increased $2.3 million, or 12.9%, to $19.9 million for the three months ended September 29, 2012, compared to $17.6 million for the three months ended October 1, 2011. The increase in licensing revenue was primarily due to royalties earned on licensing agreements related to sales of watches.

Gross Profit

Gross profit increased $140.8 million, or 80.4%, to $315.9 million during the three months ended September 29, 2012, compared to $175.1 million for the three months ended October 1, 2011. Gross profit as a percentage of total revenue increased to 59.3% during the three months ended September 29, 2012, compared to 57.3% during the three months ended October 1, 2011. The increase in profit margin resulted from increases in gross profit margin of 270 basis points and 290 basis points from our retail and wholesale segments, respectively. The increase in profit margin on our retail segment resulted primarily from decreases in in-store markdowns and discounts given as well as a experiencing a more favorable product sales mix during the quarter ended September 29, 2012 as compared to the quarter ended October 1, 2011. The increase in profit margin on our wholesale segment largely resulted from a decrease in discounts and allowances given on our accessories product line, as well as experiencing a more favorable product sales mix during the quarter ended September 29, 2012 as compared to the quarter ended October 1, 2011.

Total Operating Expenses

Total operating expenses increased $42.2 million, or 36.4%, to $158.0 million during the three months ended September 29, 2012, compared to $115.8 million for the three months ended October 1, 2011. Total operating expenses decreased to 29.6% as a percentage of total revenue for the three months ended September 29, 2012, compared to 37.9% for the three months ended October 1, 2011. The components that comprise total operating expenses are explained below.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $38.4 million, or 35.8%, to $145.7 million during the three months ended September 29, 2012, compared to $107.3 million for the three months ended October 1, 2011. The increase was primarily due to increases in our retail occupancy and salary costs of $27.0 million, and increases in corporate employee-related costs of $7.5 million. The increase in our retail occupancy and payroll costs was due to operating 269 retail stores versus 203 retail stores in the prior period. The increase in our corporate employee-related costs was due primarily to an increase in our corporate staff to accommodate our North American and international growth. Selling, general and administrative expenses as a percentage of total revenue decreased to 27.3% during the three months ended September 29, 2012, compared to 35.1% for the three months ended October 1, 2011. The decrease as a percentage of total revenue was primarily due to achieving economies of scale during the three months ended September 29, 2012, as compared to the three months ended October 1, 2011, as our revenue is increasing at a greater rate relative to our fixed costs.

Depreciation and Amortization

Depreciation and amortization increased $3.7 million, or 44.0%, to $12.3 million during the three months ended September 29, 2012, compared to $8.5 million for the three months ended October 1, 2011. Increases in depreciation and amortization were primarily due to an increase in the build-out of our new retail locations, new shop-in-shop locations and investments made in our information systems infrastructure to accommodate our growth. Depreciation and amortization decreased to 2.3% as a percentage of total revenue during the three months ended September 29, 2012, compared to 2.8% for the three months ended October 1, 2011.

Income from Operations

As a result of the foregoing, income from operations increased $98.7 million, or 166.4%, to $157.9 million during the three months ended September 29, 2012, compared to $59.3 million for the three months ended October 1, 2011. Income from operations as a percentage of total revenue increased to 29.6% during the three months ended September 29, 2012, compared to 19.4% for the three months ended October 1, 2011.

The following table details income from operations for our three business segments (dollars in thousands):

	Three Months Ended					
	September 29, 2012	October 1, 2011	$ Change	% Change	% Net Sales/ Revenue for the three months ended September 29, 2012	% Net Sales/ Revenue for the three months ended October 1, 2011
Income from operations:						
Retail	$ 68,436	$25,625	$42,811	167.1%	28.2%	19.2%
Wholesale	77,399	21,511	55,888	259.8%	28.6%	13.9%
Licensing	12,093	12,142	(49)	-0.4%	60.9%	69.0%
Income from operations	$ 157,928	$59,278	$98,650	166.4%		

Retail

Income from operations for our retail segment increased $42.8 million, or 167.1%, to $68.4 million during the three months ended September 29, 2012, compared to $25.6 million for the three months ended October 1, 2011. Income from operations as a percentage of net retail sales for the retail segment increased approximately 9.0% as a percentage of net retail sales to 28.2% during the three months ended September 29, 2012. The increase in retail income from operations as a percentage of net sales was due to the increase in gross profit margin during the three months ended September 29, 2012, as compared to the three months ended October 1, 2011, as described in the gross profit discussion above, as well as to a decrease in operating expenses of approximately 5.5% as a percentage of net sales during the quarter ended September 29, 2012, as compared to the quarter ended October 1, 2011. This decrease occurred primarily due to sales increasing at a greater rate relative to fixed expenses during the period.

Wholesale

Income from operations for our wholesale segment increased $55.9 million, or 259.8%, to $77.4 million during the three months ended September 29, 2012, compared to $21.5 million for the three months ended October 1, 2011. Income from operations as a percentage of net sales for the wholesale segment increased 14.7% as a percentage of net wholesale sales to 28.6% during the three months ended September 29, 2012. This increase as a percentage of net sales was primarily the result of the increase in gross profit margin, as described in the gross profit discussion above, as well as a decrease in wholesale operating expenses as a percentage of net wholesale sales of approximately 11.0% during the three months ended September 29, 2012, as compared to the three months ended October 1, 2011, as the increase in net sales more than compensated for the increase in fixed expenses.

Licensing

Income from operations for our licensing segment remained level for the three months ended September 29, 2012, compared to the three months ended October 1, 2011. Income from operations as a percentage of licensing revenue for the licensing segment decreased 8.1% as a percentage of licensing revenue to 60.9% during the three months ended September 29, 2012. This decrease was primarily the result of an increase in advertising expense during the three months ended September 29, 2012 as compared to the three months ended October 1, 2011, as we launched several new advertising initiatives, including social media and other web-based mediums for increasing brand awareness, during the three months ended September 29, 2012. The increase in advertising expenses was offset in part by the aforementioned increase in sales of licensed products and royalty revenue.

Foreign Currency Gain

Foreign currency gain during the three months ended September 29, 2012 was $0.3 million as compared to foreign currency gain of $3.2 million during the three months ended October 1, 2011. The gain during the three months ended September 29, 2012 was primarily due to the strengthening of the Japanese Yen relative to the U.S. dollar, which impacted the re-measurement of Yen-denominated intercompany loans with certain of our subsidiaries. The foreign currency gain during the three months ended October 1, 2011 was primarily due to having larger U.S. dollar denominated intercompany loan balances, with certain of our non-U.S. subsidiaries (whose functional currency was the Euro) during the three months ended October 1, 2011, which were impacted during re-measurement by the U.S. dollar’s strengthening against the Euro during that period.

Provision for Income Taxes

We recognized $59.8 million of income tax expense during the three months ended September 29, 2012, compared with $21.9 million for the three months ended October 1, 2011. Our effective tax rate for the three months ended September 29, 2012, was 37.9%, compared to 35.1% for the three months ended October 1, 2011. The increase in our effective tax rate was primarily due to the increase in taxable income in certain of our non-U.S. subsidiaries during the three months ended September 29, 2012. These subsidiaries generated a greater degree of non-taxable income during the three months ended October 1, 2011, as they were not expected to be profitable for the full-year Fiscal 2012.

Our effective tax rate may fluctuate from time to time due to the effects of changes in U.S. state and local taxes, tax rates in foreign jurisdictions, and certain other nondeductible expenses (such as fees related to a public offering) and income earned in certain non-U.S. entities with significant net operating loss carryforwards. In addition, factors such as the geographic mix of earnings, enacted tax legislation and the results of various global tax strategies, may also impact our effective tax rate in future periods.

Net Income

As a result of the foregoing, our net income increased $57.2 million, or 140.9%, to $97.8 million during the three months ended September 29, 2012, compared to $40.6 million for the three months ended October 1, 2011.

Comparison of the six months ended September 29, 2012 with the six months ended October 1, 2011

The following table details the results of our operations for the six months ended September 29, 2012 and for the six months ended October 1, 2011, and expresses the relationship of certain line items to total revenue as a percentage (dollars in thousands):

	Six Months Ended					
	September 29, 2012	October 1, 2011	$ Change	% Change	% of Total Revenue for the six months ended September 29, 2012	% of Total Revenue for the six months ended October 1, 2011
Statement of Operations Data:						
Net sales	$ 910,435	$520,207	$390,228	75.0%		
Licensing revenue	37,365	28,451	8,914	31.3%		
Total revenue	947,800	548,658	399,142	72.7%		
Cost of goods sold	380,900	236,589	144,311	61.0%	40.2%	43.1%
Gross profit	566,900	312,069	254,831	81.7%	59.8%	56.9%
Selling, general and administrative expenses	271,716	190,799	80,917	42.4%	28.7%	34.8%
Depreciation and amortization	25,313	17,016	8,297	48.8%	2.7%	3.1%
Total operating expenses	297,029	207,815	89,214	42.9%	31.3%	37.9%
Income from operations	269,871	104,254	165,617	158.9%	28.5%	19.0%
Interest expense, net	990	660	330	50.0%	0.1%	0.1%
Foreign currency gain	(650)	(1,729)	1,079	-62.4%	-0.1%	-0.3%
Income before provision for income taxes	269,531	105,323	164,208	155.9%	28.4%	19.2%
Provision for income taxes	103,058	40,602	62,456	153.8%	10.9%	7.4%
Net income	$ 166,473	$ 64,721	$101,752	157.2%		

Total Revenue

Total revenue increased $399.1 million, or 72.7%, to $947.8 million for the six months ended September 29, 2012, compared to $548.7 million for the six months ended October 1, 2011. The increase was the result of an increase in our comparable and non-comparable retail store sales and wholesale sales, as well as increases in our licensing revenue.

The following table details revenues for our three business segments (dollars in thousands):

	Six Months Ended September 29, 2011	Six Months Ended October 1, 2011	$ Change	% Change	% of Total Revenue for the six months September 29, 2012	% of Total Revenue for the six months October 1, 2011
Revenue:						
Net sales: Retail	$ 457,284	$255,775	$201,509	78.8%	48.2%	46.6%
Wholesale	453,151	264,432	188,719	71.4%	47.8%	48.2%
Licensing	37,365	28,451	8,914	31.3%	3.9%	5.2%
Total revenue	$ 947,800	$548,658	$399,142	72.7%		

Retail

Net sales from our retail stores increased $201.5 million, or 78.8%, to $457.3 million for the six months ended September 29, 2012, compared to $255.8 million for the six months ended October 1, 2011. We operated 269 retail stores, including concessions, as of September 29, 2012, compared to 203 retail stores, including concessions, as of October 1, 2011. During the six months ended September 29, 2012, our comparable store sales growth increased $102.5 million, or 41.3%, from the six months ended October 1, 2011. The growth in our comparable store sales was primarily due to an increase in sales of our accessories line during the six months ended September 29, 2012. In addition, our non-comparable store sales were $99.0 million during the six months ended September 29, 2012, which was primarily the result of opening 66 new stores since October 1, 2011.

Wholesale

Net sales to our wholesale customers increased $188.7 million, or 71.4%, to $453.2 million for the six months ended September 29, 2012, compared to $264.4 million for the six months ended October 1, 2011. The increase in our wholesale net sales occurred primarily as a result of increased sales of our accessories line during the six months ended September 29, 2012, as we continue to enhance our presence in department and specialty stores by converting more doors to shop-in-shops, and in continuing our expansion of our European operations. Net sales from our European operations increased approximately 75.2% during the six months ended September 29, 2012 compared to the six months ended October 1, 2011, due largely to an increase in full-price doors to 817 from 549 in the same period last year.

Licensing

Revenues earned on our licensing agreements increased $8.9 million, or 31.3%, to $37.4 million for the six months ended September 29, 2012, compared to $28.5 million for the six months ended October 1, 2011. The increase in licensing revenue was primarily due to royalties earned on licensing agreements related to sales of watches.

Gross Profit

Gross profit increased $254.8 million, or 81.7%, to $566.9 million during the six months ended September 29, 2012, compared to $312.1 million for the six months ended October 1, 2011. Gross profit as a percentage of total revenue increased to 59.8% during the six months ended September 29, 2012, compared to 56.9% during the six months ended October 1, 2011. The increase in profit margin resulted from increases in gross profit margin from our retail and wholesale segments of approximately 290 and 390 basis points, respectively. The increase in profit margin on our retail segment resulted primarily from decreases in in-store markdowns and discounts given during the six months ended September 29, 2012 as compared to the six months ended October 1, 2011, as well as benefiting from a more favorable product mix relative to the same period last year. The increase in profit margin on our wholesale segment largely resulted from a decrease in discounts and allowances given on our accessories product line during the six months ended September 29, 2012 as compared to the six months ended October 1, 2011.

Total Operating Expenses

Total operating expenses increased $89.2 million, or 42.9%, to $297.0 million during the six months ended September 29, 2012, compared to $207.8 million for the six months ended October 1, 2011. Total operating expenses decreased to 31.3% as a percentage of total revenue for the six months ended September 29, 2012, compared to 37.9% for the six months ended October 1, 2011. The components that comprise total operating expenses are explained below.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $80.9 million, or 42.4%, to $271.7 million during the six months ended September 29, 2012, compared to $190.8 million for the six months ended October 1, 2011. The increase was primarily due to increases in our retail occupancy and salary costs of $52.2 million, and increases in corporate employee-related costs of $19.8 million. The increase in our retail occupancy and payroll costs was due to operating 269 retail stores versus 203 retail stores in the prior period. The increase in our corporate employee-related costs was due primarily to an increase in our corporate staff to accommodate our North American and international growth. Selling, general and administrative expenses as a percentage of total revenue decreased to 28.7% during the six months ended September 29, 2012, compared to 34.8% for the six months ended October 1, 2011. The decrease as a percentage of total revenue was primarily due to achieving economies of scale during the six months ended September 29, 2012, as compared to the six months ended October 1, 2011, as our revenue is increasing at a greater rate relative to our fixed costs.

Depreciation and Amortization

Depreciation and amortization increased $8.3 million, or 48.8%, to $25.3 million during the six months ended September 29, 2012, compared to $17.0 million for the six months ended October 1, 2011. Increases in depreciation and amortization were primarily due to an increase in the build-out of our new retail locations, new shop-in-shop locations and investments made in our information systems infrastructure to accommodate our growth. Depreciation and amortization decreased to 2.7% as a percentage of total revenue during the six months ended September 29, 2012, compared to 3.1% for the six months ended October 1, 2011.

Income from Operations

As a result of the foregoing, income from operations increased $165.6 million, or 158.9%, to $269.9 million during the six months ended September 29, 2012, compared to $104.3 million for the six months ended October 1, 2011. Income from operations as a percentage of total revenue increased to 28.5% during the six months ended September 29, 2012, compared to 19.0% for the six months ended October 1, 2011.

The following table details income from operations for our three business segments (dollars in thousands):

	Six Months Ended					% of Net Sales/
	September 29, 2011	October 1, 2011	$ Change	% Change	% of Net Sales/ Revenue for the six months September 29, 2012	Revenue for the six months October 1, 2011
Income from operations:						
Retail	$ 128,315	$ 53,547	$ 74,768	139.6%	28.1%	20.9%
Wholesale	118,117	32,379	85,738	264.8%	26.1%	12.2%
Licensing	23,439	18,328	5,111	27.9%	62.7%	64.4%
Income from operations	$ 269,871	$104,254	$165,617	158.9%		

Retail

Income from operations for our retail segment increased $74.8 million, or 139.6%, to $128.3 million during the six months ended September 29, 2012, compared to $53.5 million for the six months ended October 1, 2011. Income from operations as a percentage of net retail sales for the retail segment increased approximately 7.2% as a percentage of net retail sales to 28.1% during the six months ended September 29, 2012. The increase in retail income from operations as a percentage of net sales was due primarily to the increase in gross profit margin during the six months ended September 29, 2012, as compared to the six months ended October 1, 2011, as described in the gross profit discussion above. In addition, net sales increased at a greater rate relative to fixed costs during the quarter ended September 29, 2012, as compared to the six months ended October 1, 2011, resulting in a 4.3% decrease in operating expenses as a percentage of net sales.

Wholesale

Income from operations for our wholesale segment increased $85.7 million, or 264.8%, to $118.1 million during the six months ended September 29, 2012, compared to $32.4 million for the six months ended October 1, 2011. Income from operations as a percentage of net sales for the wholesale segment increased 13.9% as a percentage of net wholesale sales to 26.1% during the six months ended September 29, 2012. This increase as a percentage of net sales was primarily the result of the increase in gross profit margin, as described in the gross profit discussion above, as well as a decrease in wholesale operating expenses as a percentage of net wholesale sales of approximately 9.9% during the six months ended September 29, 2012, as compared to the six months ended October 1, 2011, as the increase in net sales more than compensated for the increase in fixed expenses.

Licensing

Income from operations for our licensing segment increased $5.1 million, or 27.9%, to $23.4 million during the six months ended September 29, 2012, compared to $18.3 million for the six months ended October 1, 2011. Income from operations as a percentage of licensing revenue for the licensing segment decreased 1.7% as a percentage of licensing revenue to 62.7% during the six months ended September 29, 2012. This decrease was primarily the result of an increase in advertising expense during the six months ended September 29, 2012 as compared to the six months ended October 1, 2011, as we launched several new advertising initiatives, including social media and other web-based mediums for increasing brand awareness, during the six months ended September 29, 2012. The increase in advertising expenses was offset in part by the aforementioned increase in sales of licensed products and royalty revenue.

Interest Expense

Interest expense increased $0.3 million, or 50.0%, to $1.0 million during the six months ended September 29, 2012, compared to $0.7 million for the six months ended October 1, 2011. The increase in interest expense was attributable to an increase in deferred financing costs amortization and commitment fees, during the six months ended September 29, 2012 compared to the six months ended October 1, 2011. This increase was offset in part by a decrease in the average balance of our revolving credit line during the six months ended September 29, 2012 compared to the six months ended October 1, 2011.

Foreign Currency Gains

Foreign currency gain decreased $1.1 million, or 62.4%, to $0.7 million during the six months ended September 29, 2012, compared to $1.7 million during the six months ended October 1, 2011. The decrease in foreign currency gain during the six months ended September 29, 2012 was primarily due to having larger U.S. dollar denominated intercompany loan balances, with certain of our non-U.S. subsidiaries (whose functional currency was the Euro) during the six months ended October 1, 2011, which were impacted during re-measurement by the U.S. dollar’s strengthening against the Euro during that period.

Provision for Income Taxes

We recognized $103.1 million of income tax expense during the six months ended September 29, 2012, compared with $40.6 million for the six months ended October 1, 2011. Our effective tax rate for the six months ended September 29, 2012, was 38.2%, compared to 38.5% for the six months ended October 1, 2011. During the six months ended September 29, 2012, our effective tax rate was impacted positively by a greater portion of our income being recognized in jurisdictions with lower statutory income tax rates relative to the six months ended October 1, 2011. This impact to our effective tax rate was offset in part by certain discrete items primarily related to adjustments for certain international tax credits and deductions impacting our U.S. federal and state tax provision, which collectively increased the effective tax rate for the six months ended September 29, 2012, by approximately 0.7%.

Our effective tax rate may fluctuate from time to time due to the effects of changes in U.S. state and local taxes, tax rates in foreign jurisdictions, and certain other nondeductible expenses (such as fees related to a public offering) and income earned in certain non-U.S. entities with significant net operating loss carryforwards. In addition, factors such as the geographic mix of earnings, enacted tax legislation and the results of various global tax strategies, may also impact our effective tax rate in future periods.

Net Income

As a result of the foregoing, our net income increased $101.8 million, or 157.2%, to $166.5 million during the six months ended September 29, 2012, compared to $64.7 million for the six months ended October 1, 2011.

Liquidity and Capital Resources

Liquidity

Our primary sources of liquidity are the cash flows generated from our operations, along with borrowings available under our Credit Facility and available cash and cash equivalents. Our primary use of this liquidity is to fund our ongoing cash requirements, including working capital requirements, global retail store expansion and renovation, construction and renovation of shop-in-shops, investment in information systems infrastructure and expansion of our distribution and corporate facilities. We believe that the cash generated from our operations, together with borrowings available under our Credit Facility and available cash and cash equivalents, will be sufficient to meet our working capital needs for the next 12 months, including investments made and expenses incurred in connection with our store growth plans, systems development and store improvements. We spent approximately $42.8 million on capital expenditures during the first six months of Fiscal 2013 and expect to spend approximately $140.0 million on capital expenditures during Fiscal 2013. The majority of these expected expenditures relate to new retail store openings planned for the year, with the remainder being used for investments in connection with developing new shop-in-shops, build-out of our new warehouse, corporate offices and enhancing our information systems infrastructure. During September 2012 we completed an additional secondary public offering, where 2,577,793 employee share options were exercised in connection with the offering. Prior to the close of our second fiscal quarter we received $118.0 million of cash, which represented the employee earnings related to these exercises.

In the week subsequent to the end of our second fiscal quarter, the entire $118.0 million was disbursed to the respective employees and relevant taxing authorities, decreasing the September 29, 2012 balances in our cash and cash equivalents and that of our accrued payroll and payroll related expenses by the same amount.

The following table sets forth key indicators of our liquidity and capital resources (in thousands):

	As of	
	September 29, 2012	March 31, 2012
Balance Sheet Data:		
Cash and cash equivalents	$ 312,244	$106,354
Working capital	$ 610,219	$299,057
Total assets	$1,119,484	$674,425
Revolving line of credit	$ 11,616	$ 22,674

	Six Months Ended	
	September 29, 2012	October 1, 2011
Cash Flows Provided By (Used In):		
Operating activities	$ 113,680	$ 19,864
Investing activities	(42,841)	(31,991)
Financing activities	134,752	11,020
Effect of exchange rate changes	299	(658)
Net increase (decrease) in cash and cash equivalents	$ 205,890	$ (1,765)

Cash Provided by Operating Activities

Cash provided by operating activities increased $93.8 million to $113.7 million during the six months ended September 29, 2012, as compared to $19.9 million for the six months ended October 1, 2011. The increase in cash flows from operating activities is primarily due to an increase in our net income and decrease in cash outflows on our accounts payable, offset, in part, by a decrease in changes to our accounts receivable and an increase in cash outflows on our inventory during the six months ended September 29, 2012 as compared to the six months ended October 1, 2011. The decrease in the change to our accounts receivable was largely the result of our increasing sales as well as experiencing heavy shipping and customer billing during September 2012, which will be collected upon in the subsequent fiscal quarter. The increase in cash outflows on our inventory occurred primarily to accommodate the increase to our net sales for the six months ended September 29, 2012, as well as in anticipation for our inventory needs for the remainder of Fiscal 2013, in anticipation of holiday sales, our growing overall sales, and expected increase in shop-in-shop conversions (shop-in-shops generally require significantly greater inventory levels than that of a non-shop wholesale door).

Cash Used in Investing Activities

Net cash used in investing activities increased $10.9 million to $42.8 million during the six months ended September 29, 2012, as compared to $32.0 million during the six months ended October 1, 2011. The increase in cash used in investing activities is primarily the result of the build-out of our new retail stores, which were constructed during the six months ended September 29, 2012, and shop-in-shops we installed during the six months ended September 29, 2012. In addition, we undertook certain technology initiatives during the six months ended September 29, 2012, related to distribution system enhancements and various other improvements to our infrastructure.

Cash Provided by Financing Activities

Net cash provided by financing activities was $134.8 million for the six months ended September 29, 2012, as compared to $11.0 million for the six months ended October 1, 2011. The cash flows from financing activities during the six months ended September 29, 2012, were primarily comprised of proceeds from the exercise of employee share options of approximately $23.7 million. These proceeds were offset, in part, by net repayments on our Credit Facility of $8.9 million. Cash flows from financing activities related to the six months ended October 1, 2011, were comprised of net borrowing on our revolving credit facility of $3.5 million and proceeds from our private placement of approximately $9.6 million.

Revolving Credit Facility

On September 15, 2011, we completed an amendment to our Credit Facility, which was originally entered into during Fiscal 2007. Pursuant to such amendment, the Credit Facility provides for up to $100.0 million of borrowings, and expires on September 15, 2015. The agreement also provides for loans and letters of credit to our European subsidiaries of up to $35.0 million. All other terms and conditions under the Credit Facility remained consistent with the original agreement. The Credit Facility provides for aggregate credit available equal to the lesser of (i) $100.0 million, or (ii) the sum of specified percentages of eligible receivables and eligible inventory, as defined, plus $30.0 million. Amounts outstanding under the Credit Facility are collateralized by substantially all of our assets. The Credit Facility contains financial covenants limiting our capital expenditures to $110.0 million for any one fiscal year plus additional amounts as permitted, and a minimum fixed charge coverage ratio of 2.0 to 1.0 (with the ratio being EBITDA plus consolidated rent expense to the sum of fixed charges plus consolidated rent expense), restrict and limit additional indebtedness, and restrict the incurrence of additional liens and cash dividends. As of the six months ended September 29, 2012, we were in compliance with all of our covenants covered under the agreement.

Borrowings under the Credit Facility accrue interest at the rate per annum announced from time to time by the agent of 1.25% above the prevailing applicable prime rate, or at a per annum rate equal to 2.25% above the prevailing LIBOR rate. The weighted average interest rate for the revolving credit facility was 2.82% during the six months ended September 29, 2012. The Credit Facility requires an annual facility fee of $0.1 million, and an annual commitment fee of 0.35% on the unused portion of the available credit under the Credit Facility, payable quarterly.

As of September 29, 2012, the amount outstanding under the Credit Facility was $11.6 million, and the amount available for future borrowings was $38.9 million. The largest amount borrowed during the six months ended September 29, 2012 was $31.7 million. At September 29, 2012, there were documentary letters of credit outstanding of approximately $39.9 million, and stand-by letters of credit of $9.4 million.

Contractual Obligations and Commercial Commitments

As of September 29, 2012, our lease commitments and contractual obligations were as follows (in thousands):

Fiscal year ending	Remainder of Fiscal 2013	Fiscal 2014-2015	Fiscal 2016-2017	Fiscal 2018 and Thereafter	Total
Operating leases	$ 37,961	$151,471	$142,917	279,605	$611,954
Credit Facility	—	—	11,616	—	11,616
	$ 37,961	$151,471	$154,533	$279,605	$623,570

Operating lease obligations represent the minimum lease rental payments under non-cancelable operating leases for our real estate locations globally. In addition to the above amounts, we are typically required to pay real estate taxes, contingent rent based on sales volume and other occupancy costs relating to our leased properties for our retail stores.

Credit Facility represents the balance as of September 29, 2012, which although it has a maturity date of September 15, 2015, is classified as a current liability on our consolidated balance sheets due to its revolving nature. In addition, interest on the Credit Facility is excluded from the above table as the amount due in future periods is unknown based on its revolving nature.

Excluded from the above commitments is $5.1 million of long-term liabilities related to uncertain tax positions, due to the uncertainty of the time and nature of resolution.

The above table also excludes amounts included in current liabilities in our consolidated balance sheet as of September 29, 2012, as these items will be paid within one year, and non-current liabilities that have no cash outflows associated with them (e.g., deferred taxes).

We do not have any long-term purchase obligations that represent firm commitments at September 29, 2012.

Research and Development, Patents and Licenses, etc.

We do not conduct research and development activities.

Off-Balance Sheet Arrangements

We have not created, and are not affiliated with, any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating our business. We do not have any off-balance sheet arrangements or relationships with entities that are not consolidated into our financial statements that have or are reasonably likely to have a material current or future effect on our financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

Recent Accounting Pronouncements

We have considered all new accounting pronouncements and have concluded that there are no new pronouncements that have a material impact on our results of operations, financial condition or cash flows based on current information.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to certain market risks during the normal course of our business, such as risk arising from fluctuations in foreign currency exchange rates, as well as fluctuations in interest rates. In attempts to manage these risks, we employ certain strategies to mitigate the effect of these fluctuations. Currently we enter into foreign currency forward contracts to manage our foreign currency exposure to the fluctuations of certain foreign currencies. The use of these instruments helps to manage our exposure to our foreign purchase commitments and better control our product costs. Other than these purchase commitments, we do not use these foreign exchange contracts for any other purposes. In addition, we do not use derivatives for speculative purposes.

Foreign Currency Exchange Risk

We are exposed to risks on certain purchase commitments to foreign suppliers based on the value of the functional currency relative to the local currency of the supplier on the date of the commitment. As such, we enter into forward currency contracts that generally mature in 18 months or less and are consistent with the related purchase commitments. These contracts are recorded at fair value in our consolidated balance sheets as either an asset or liability. Although these are derivative contracts to hedge cash flow risks, we do not designate these contracts as hedges for accounting purposes. Accordingly, the changes in the fair value of these contracts at the balance sheet date and upon maturity (settlement) are recorded in our cost of sales or operating expenses, in our consolidated statement of operations, as applicable to the transactions for which the forward exchange contracts were established.

We perform a sensitivity analysis to determine the effects of fluctuations in foreign currency exchange rates. For this sensitivity analysis, we assume a hypothetical change in U.S. dollar against foreign exchange rates. Based on all foreign currency exchange contracts outstanding as of September 29, 2012, a 10% devaluation of the U.S. dollar compared to the level of foreign currency exchange rates for currencies under contract as of September 29, 2012 would result in a decrease of approximately $6.3 million of net unrealized foreign currency loss. Conversely, a 10% appreciation of the U.S. dollar would result in an increase approximately of $6.3 million of net unrealized gains.

Interest Rate Risk

We are exposed to interest rate risk in relation to our Credit Facility, the balance of which was $11.6 million at September 29, 2012. Our Credit Facility carries interest rates that are tied to LIBOR and the prime rate, and therefore our statements of operations and cash flows are exposed to changes in interest rates. A one percentage point increase in either the prime rate or LIBOR would cause an increase to the interest expense on our Credit Facility of approximately $0.1 million. The balance of our Credit Facility at September 29, 2012 is not indicative of future balances that may be subject to fluctuations in interest rates.