

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

FORM 10-Q

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

For the quarterly period ended March 30, 2019
or

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

For the transition period from _____ to _____

Commission file number: 001-38854

KONTOOR BRANDS, INC.

(Exact name of registrant as specified in its charter)

North Carolina

(State or other jurisdiction of incorporation or organization)

83-2680248

(I.R.S. employer identification number)

400 N. Elm Street
Greensboro, North Carolina

(Address of principal executive offices)

27401

(Zip Code)

(336) 332-3400

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, No Par Value	KTB	New York Stock Exchange

The number of shares of common stock, no par value, of the registrant outstanding as of May 23, 2019 was 56,921,092.

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PART I — FINANCIAL INFORMATION

ITEM 1 — FINANCIAL STATEMENTS (UNAUDITED)

KONTOOR BRANDS, INC.
Combined Balance Sheets
(Unaudited)

(In thousands)	March 2019	December 2018	March 2018
ASSETS			
Current assets			
Cash and equivalents	\$ 102,945	\$ 96,776	\$ 88,234
Accounts receivable, less allowance for doubtful accounts of \$10,826 at March 2019, \$10,549 at December 2018 and \$8,121 at March 2018	299,328	252,966	318,480
Due from related parties, current	291,127	547,690	274,368
Related party notes receivable	517,940	517,940	546,740
Inventories	519,006	473,812	499,849
Other current assets	50,671	52,014	51,783
Total current assets	1,781,017	1,941,198	1,779,454
Due from related parties, noncurrent	370	611	1,576
Property, plant and equipment, net	138,972	138,449	142,958
Operating lease assets	77,305	—	—
Intangible assets, net	51,913	53,059	56,638
Goodwill	213,623	214,516	220,233
Other assets	122,210	110,632	125,106
TOTAL ASSETS	\$ 2,385,410	\$ 2,458,465	\$ 2,325,965
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings	\$ 8,368	\$ 3,215	\$ 12,103
Accounts payable	147,403	134,129	131,667
Due to related parties, current	3,865	16,140	60,424
Related party notes payable	241,867	269,112	269,112
Accrued liabilities	206,517	194,228	171,501
Operating lease liabilities, current	29,156	—	—
Total current liabilities	637,176	616,824	644,807
Operating lease liabilities, noncurrent	51,533	—	—
Other liabilities	117,719	118,189	117,376
Commitments and contingencies			
Total liabilities	806,428	735,013	762,183
Equity			
Parent company investment	1,723,406	1,868,634	1,676,563
Accumulated other comprehensive loss	(144,424)	(145,182)	(112,781)
Total equity	1,578,982	1,723,452	1,563,782
TOTAL LIABILITIES AND EQUITY	\$ 2,385,410	\$ 2,458,465	\$ 2,325,965

See accompanying notes to unaudited combined financial statements.

KONTOOR BRANDS, INC.
 Combined Statements of Income
 (Unaudited)

Three Months Ended March

(In thousands, except per share amounts)

	2019	2018
Net revenues (including sales to related parties of \$10,611 and \$13,479 for March 2019 and March 2018, respectively)	\$ 648,344	\$ 669,663
Costs and operating expenses		
Cost of goods sold (including purchases from related parties of \$256 and \$827 for March 2019 and March 2018, respectively)	401,025	382,421
Selling, general and administrative expenses	222,124	194,834
Total costs and operating expenses	623,149	577,255
Operating income	25,195	92,408
Related party interest income, net	2,339	1,651
Other interest income, net	1,325	917
Other expense, net	(971)	(1,197)
Income before income taxes	27,888	93,779
Income taxes	12,475	14,083
Net income	\$ 15,413	\$ 79,696
Earnings per common share		
Basic	\$ 0.27	\$ 1.41
Diluted	\$ 0.27	\$ 1.41

See accompanying notes to unaudited combined financial statements.

KONTOOR BRANDS, INC.
Combined Statements of Comprehensive Income
(Unaudited)

Three Months Ended March

(In thousands)

	2019	2018
Net income	\$ 15,413	\$ 79,696
Other comprehensive income		
Foreign currency translation, net of related taxes	758	9,701
Total other comprehensive income	758	9,701
Comprehensive income	\$ 16,171	\$ 89,397

See accompanying notes to unaudited combined financial statements.

KONTOOR BRANDS, INC.
Combined Statements of Cash Flows
(Unaudited)

Three Months Ended March

(In thousands)	2019	2018
OPERATING ACTIVITIES		
Net income	\$ 15,413	\$ 79,696
Adjustments to reconcile net income to cash provided (used) by operating activities:		
Depreciation and amortization	7,703	8,310
Stock-based compensation	7,685	3,740
Provision for doubtful accounts	2,730	(10)
Other	(512)	(362)
Changes in operating assets and liabilities:		
Accounts receivable	(48,473)	(60,849)
Inventories	(44,926)	(61,146)
Due from related parties	256,803	(54,329)
Accounts payable	12,935	(43,613)
Income taxes	1,311	(5,573)
Accrued liabilities	9,426	18,353
Due to related parties	(12,268)	22,412
Other assets and liabilities	(1,340)	(20,994)
Cash provided (used) by operating activities	206,487	(114,365)
INVESTING ACTIVITIES		
Capital expenditures	(5,300)	(6,528)
Repayments received from related party notes receivable	—	1,000
Other, net	(20)	6,428
Cash (used) provided by investing activities	(5,320)	900
FINANCING ACTIVITIES		
Net increase in short-term borrowings	5,081	7,565
Repayments of related party notes payable	(27,245)	—
Net transfers (to) from parent	(173,485)	109,705
Cash (used) provided by financing activities	(195,649)	117,270
Effect of foreign currency rate changes on cash and cash equivalents	651	3,618
Net change in cash and cash equivalents	6,169	7,423
Cash and cash equivalents – beginning of period	96,776	80,811
Cash and cash equivalents – end of period	\$ 102,945	\$ 88,234

See accompanying notes to unaudited combined financial statements.

KONTOOR BRANDS, INC.
 Combined Statements of Equity
 (Unaudited)

Three Months Ended March 2019

(In thousands)

	Parent Company Investment	Accumulated Other Comprehensive Loss	Total Equity
Balance, December 2018	\$ 1,868,634	\$ (145,182)	\$ 1,723,452
Adoption of new accounting standard (ASU 2016-02)	(2,713)	—	(2,713)
Net income	15,413	—	15,413
Foreign currency translation	—	758	758
Net transfers to parent	(157,928)	—	(157,928)
Balance, March 2019	\$ 1,723,406	\$ (144,424)	\$ 1,578,982

Three Months Ended March 2018

(In thousands)

	Parent Company Investment	Accumulated Other Comprehensive Loss	Total Equity
Balance, December 2017	\$ 1,480,375	\$ (122,482)	\$ 1,357,893
Adoption of new accounting standard (ASU 2014-09)	3,047	—	3,047
Net income	79,696	—	79,696
Foreign currency translation	—	9,701	9,701
Net transfers from parent	113,445	—	113,445
Balance, March 2018	\$ 1,676,563	\$ (112,781)	\$ 1,563,782

See accompanying notes to unaudited combined financial statements.

KONTOOR BRANDS, INC.
Notes to Combined Financial Statements
(Unaudited)

NOTE 1 — BASIS OF PRESENTATION

Background

On August 13, 2018, V.F. Corporation ("VF") announced its intention to spin-off its Jeanswear business into a separate publicly traded company (the "Separation"). The Jeanswear business includes the *Wrangler*[®], *Lee*[®] and *Rock & Republic*[®] brands, as well as the *VF Outlet*[™] business. The financial statements as of March 30, 2019 are prior to the Separation and thus are prepared on a "carve-out" basis as described below.

On May 22, 2019, VF completed the spin-off of Kontoor Brands, Inc. ("Kontoor," the "Company," "we," "us" or "our") through a pro-rata distribution of one share of Kontoor common stock for every seven shares of VF common stock held at the close of business on the record date of May 10, 2019. Kontoor began to trade as a separate public company (NYSE: KTB) on May 23, 2019. In connection with the Separation, Kontoor transferred approximately \$1.0 billion to VF on May 17, 2019 from a newly structured third-party debt issuance.

Description of Business

The Company is a global denim and casual apparel company headquartered in the United States ("U.S."). The Company designs, produces, procures, markets and distributes apparel primarily under the brand names *Wrangler*[®] and *Lee*[®]. The Company's products are sold in the U.S. through mass merchants, specialty stores, mid-tier and traditional department stores, company-operated stores and online. The Company's products are also sold internationally, primarily in Europe and Asia, through department, specialty, company-operated, concession retail and independently operated partnership stores and online. *VF Outlet*[™] stores carry *Wrangler*[®] and *Lee*[®] branded products, as well as merchandise that is specifically purchased for sale in these stores, including products from VF.

Fiscal Year

The Company operates and reports using a 52/53 week fiscal year ending on the Saturday closest to December 31 of each year. Accordingly, the three-month period ended March 30, 2019 represents the first quarter of the Company's fiscal year ended December 28, 2019 ("fiscal 2019"). For presentation purposes herein, all references to periods ended March 2019, December 2018 and March 2018 correspond to the fiscal periods ended March 30, 2019, December 29, 2018 and March 31, 2018, respectively.

Basis of Presentation

These accompanying unaudited combined financial statements reflect the historical financial position, results of operations and cash flows of the Company for the periods presented as historically managed within VF. The unaudited combined financial statements have been derived from the consolidated financial statements and accounting records of VF. They have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X and do not include all of the information and notes required by generally accepted accounting principles in the United States of

America ("GAAP") for complete financial statements. In the opinion of management, the accompanying combined financial statements contain all adjustments, consisting of only normal recurring adjustments necessary to fairly state the combined financial position, results of operations and cash flows of the Company for the interim periods presented. The combined financial statements may not be indicative of the Company's future performance and do not necessarily reflect what the financial position, results of operations, and cash flows would have been had it operated as an independent company during the periods presented. Additionally, operating results for the three months ended March 2019 are not necessarily indicative of results that may be expected for any other interim period or for fiscal 2019. The unaudited combined financial statements should be read in conjunction with the audited combined financial statements for the fiscal year ended December 29, 2018 included in our Registration Statement on Form 10, as amended and filed with the Securities and Exchange Commission on April 30, 2019 ("2018 Form 10").

The combined statements of income include costs for certain centralized functions and programs provided and administered by VF that are charged directly to the Company. These centralized functions and programs include, but are not limited to, information technology, human resources, accounting shared services, supply chain, insurance, and the service cost component of net periodic pension benefit.

In addition, for purposes of preparing these combined financial statements on a "carve-out" basis under U.S. GAAP, a portion of VF's total corporate expenses are allocated to the Company. These expense allocations include the cost of corporate functions and resources provided by or administered by VF including, but not limited to, executive management, finance, accounting, legal, human resources, and related benefit costs associated with such functions, such as stock-based compensation and the non-service components of net periodic pension benefit. Allocations also include the cost of operating VF's corporate headquarters located in Greensboro, North Carolina.

Costs are allocated to the Company based on direct usage when identifiable or, when not directly identifiable, on the basis of proportional revenues, cost of goods sold or square footage, as applicable. Management considers the basis on which the expenses have been allocated to reasonably reflect the utilization of services provided to, or benefit received by, the Company during the periods presented. However, the allocations may not reflect the expenses that would have incurred if the Company had been a standalone company for the periods presented. Actual costs that may have been incurred if the Company had been a standalone company would depend on a number of factors, including the organizational structure, whether functions were outsourced or performed by employees, and strategic decisions made in areas such as information technology and infrastructure. Going forward, the Company will assess whether it performs these functions using its own resources or outsourced services. However, some of these functions will continue to be provided by VF under transition services agreements for a period following the Separation. Additionally, the Company will provide some services to VF under reverse transition services agreements. The Company has also

KONTOOR BRANDS, INC.
Notes to Combined Financial Statements
(Unaudited)

entered into certain commercial arrangements with VF in connection with the Separation.

The combined financial statements include certain assets and liabilities that have historically been held at the VF corporate level but are specifically identifiable or otherwise attributable to the Company. VF's third-party long-term debt and the related interest expense have not been allocated to the Company for any of the periods presented as the Company was not the legal obligor of such debt.

All intracompany transactions are eliminated. All transactions between the Company and VF are included in these combined financial statements. For those transactions between the Company and VF that were historically settled in cash, the Company has reflected such balances in the combined balance sheets as "due from related parties" or "due to related parties". The aggregate net effect of transactions between the Company and VF that were not historically settled in cash are reflected in the combined balance sheets within "parent company investment" and in the combined statements of cash flows within "net transfers to parent".

NOTE 2 — RECENTLY ADOPTED AND ISSUED ACCOUNTING STANDARDS

Recently Adopted Accounting Standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "*Leases (Topic 842)*," an update that requires entities to record most leased assets and liabilities on the balance sheet, and also retains a dual model approach for assessing lease classification and recognizing expense. The FASB subsequently issued updates to provide clarification on specific topics, including adoption guidance, practical expedients and interim transition disclosure requirements. This guidance was adopted by the Company during the first quarter of fiscal 2019 utilizing the optional transition method, which resulted in a \$2.7 million cumulative effect adjustment to beginning retained earnings for the period ended March 2019. The adoption of these standards did not have a significant impact on the Company's combined statement of income and combined statement of cash flows. Refer to Note 3 of the combined financial statements for additional information.

In August 2017, the FASB issued ASU 2017-12, "*Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*," an update that amends and simplifies certain aspects of hedge accounting rules to better portray the economic results of risk management activities in the financial statements. The FASB has subsequently issued updates to the standard to provide additional guidance on specific topics. This guidance was adopted by the Company during the first quarter of fiscal 2019 and did not have a significant impact on the combined financial statements.

In February 2018, the FASB issued ASU 2018-02, "*Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*," an update that addresses the effect of the change in the U.S. federal corporate income tax rate due to the enactment of the Tax Act on items within accumulated other comprehensive income (loss). This guidance was adopted by the Company during the first quarter of fiscal 2019 and did not have a significant impact on the combined financial statements.

In July 2018, the FASB issued ASU 2018-09, "*Codification Improvements*," an update that provides technical corrections, clarifications and other improvements across a variety of accounting topics. The transition and effective date guidance is

based on the facts and circumstances of each update; however, many of them became effective for the Company at the beginning of fiscal 2019. The adoption of this guidance did not have a significant impact on the combined financial statements.

Recently Issued Accounting Standards

In June 2016, the FASB issued ASU 2016-13, "*Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*," which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. This guidance will be effective for the Company beginning in fiscal 2020. Early adoption is permitted. The Company is currently evaluating the impact that adoption of this guidance will have on the combined financial statements. The adoption of this guidance is not expected to have a significant impact on the combined financial statements.

In August 2018, the FASB issued ASU 2018-13, "*Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*," an update that modifies the disclosure requirements for fair value measurements by removing, modifying or adding certain disclosures. This guidance will be effective for the Company beginning in fiscal 2020. Early adoption is permitted. The Company is currently evaluating the impact that adoption of this guidance will have on its financial statement disclosures. The adoption of this guidance is not expected to have a significant impact on the combined financial statements.

In August 2018, the FASB issued ASU 2018-14, "*Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20), Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*," an update that modifies the disclosure requirements for employers who sponsor defined benefit pension or other postretirement plans. This guidance will be effective for the Company beginning in fiscal 2020. Early adoption is permitted. The Company is currently evaluating the impact that adoption of this guidance will have on its financial statement disclosures. The adoption of this guidance is not expected to have a significant impact on the combined financial statements.

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Notes to Combined Financial Statements
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In August 2018, the FASB issued ASU 2018-15, "Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract," an update that aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This guidance will be effective for the Company beginning in fiscal 2020. Early adoption is permitted. The Company is currently evaluating the impact that adoption of this guidance will have on the combined financial statements. The adoption of this guidance is not expected to have a significant impact on the combined financial statements.

NOTE 3 — LEASES

The Company enters into operating leases for offices, operational facilities, retail locations, vehicles and other assets to facilitate its operations that expire at various dates through 2027. Leases for real estate typically have initial terms ranging from 3 to 15 years, generally with renewal options. Leases for equipment typically have initial terms ranging from 3 to 7 years. Most leases have fixed rentals, with many of the real estate leases requiring additional payments for real estate taxes and occupancy-related costs. These lease terms may include optional renewals, terminations or purchases, which are considered in the Company's assessments when such options are reasonably certain to be exercised.

For retail real estate leases, the Company does not typically include renewal options in the underlying lease term. For non-retail real estate leases, when renewal options are reasonably certain to be exercised, the Company includes the renewal options in the underlying lease term, up to a maximum of ten years. Renewals for all other leases are determined on a lease-by-lease basis.

Upon adoption of ASU 2016-02, the Company elected the package of practical expedients permitted under the new lease standard, which allows the Company to not reassess whether a contract contains a lease, how the lease is classified, and if initial direct costs can be capitalized. The Company elected to combine non-lease components with the related lease components for real estate, vehicles and other significant asset arrangements. The Company treats the combined items as a single lease component for accounting purposes. Lastly, the Company elected not to recognize a right-of-use asset and related lease liability for leases with a lease term of 12 months or less for all classes of underlying assets.

Certain of the Company's leases contain fixed, indexed, or market-based escalation clauses which impact future payments. Certain arrangements contain variable payment provisions, such as payments based on sales volumes or amounts and mileage, or excess mileage. The Company's leases typically contain customary covenants and restrictions.

The Company determines whether a contract is a lease at inception. This typically requires more judgment in storage and service arrangements where the Company must determine whether its rights to specific physical or production capacity may represent substantially all of the available capacity.

The Company measures right-of-use assets and related lease liabilities based on the present value of remaining lease payments, including in-substance fixed payments, the current payment amount when payments depend on an index or rate (e.g., inflation adjustments, market renewals), and the amount the Company believes is probable to be paid to the lessor under residual value guarantees, when applicable. Lease contracts may include fixed payments for non-lease components, such as maintenance, which are included in the measurement of lease liabilities for certain asset classes based on the Company's election to combine lease and non-lease components.

As applicable borrowing rates are not typically implied within our lease arrangements, the Company discounts lease payments based on its estimated incremental borrowing rate at lease commencement, or modification, which is based on the Company's estimated credit rating, the lease term at commencement and the contract currency of the lease arrangement.

KONTOOR BRANDS, INC.
Notes to Combined Financial Statements
(Unaudited)

The following table presents the lease-related assets and liabilities recorded in the combined balance sheet:

(in thousands)	March 2019	
Assets		
Operating lease assets, noncurrent	\$	77,305
Total lease assets	\$	77,305
Liabilities		
Operating lease liabilities, current	\$	29,156
Operating lease liabilities, noncurrent		51,533
Total lease liabilities	\$	80,689
Weighted-average remaining lease term (in years)		
Operating leases		3.69
Weighted-average discount rate		
Operating leases		3.27%

Lease costs

The following table presents certain information related to the lease costs for operating leases:

(in thousands)	Three Months Ended March 2019	
Operating lease cost	\$	7,613
Short-term lease cost (excluding leases of one month or less)		491
Variable lease cost		2,816
Total lease costs	\$	10,920

Rent expense associated with operating leases for the three months ended March 2018 totaled approximately \$10.6 million.

Other information

The following table presents supplemental cash flow information related to leases:

(in thousands)	Three Months Ended March 2019	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows impact - operating leases	\$	10,641
Right-of-use assets obtained in exchange for new operating leases	\$	7,837

KONTOOR BRANDS, INC.
Notes to Combined Financial Statements
(Unaudited)

The following table reconciles maturities of operating lease liabilities as of March 30, 2019 to the lease liabilities reflected in the combined balance sheet:

(in thousands)	Lease Obligations	
2019 (excluding the three months ended March 2019)	\$	25,618
2020		26,388
2021		17,031
2022		7,922
2023		4,805
Thereafter		5,679
Total future minimum lease payments		87,443
Less: amounts related to imputed interest		(6,754)
Present value of future minimum lease payments		80,689
Less: operating lease liabilities, current		(29,156)
Operating lease liabilities, noncurrent	\$	51,533

As of March 30, 2019, the Company has entered into approximately \$3.0 million of operating lease arrangements, on an undiscounted basis, that have not yet commenced. The Company continuously monitors and may negotiate contract amendments that include extensions or modifications to existing leases.

The following table presents the future minimum lease payments during the noncancelable lease terms as presented under ASC 840:

(in thousands)	December 2018	
2019	\$	33,562
2020		29,246
2021		17,810
2022		7,932
2023		4,353
Thereafter		4,582
Total future minimum lease payments	\$	97,485

NOTE 4 — REVENUES

The Company recognizes revenue when performance obligations under the terms of a contract with the customer are satisfied based on the transfer of control of promised goods or services. The transfer of control typically occurs at a point in time based on consideration of when the customer has i) an obligation to pay for, ii) physical possession of, iii) legal title to, iv) risks and rewards of ownership of and v) accepted the goods or services. The timing of revenue recognition within the wholesale channels occurs either on shipment or delivery of goods based on contractual terms with the customer. The timing of revenue recognition in the direct-to-consumer channels generally occurs at the point of sale within Company-operated or concession retail stores and either on shipment or delivery of goods for e-commerce transactions based on contractual terms with the customer. For finished products shipped directly to customers from our suppliers, the Company's promise to the customer is a performance obligation to provide the specified goods and the Company has discretion in establishing

pricing, and thus the Company is the principal in the arrangement and revenue is recognized on a gross basis at the transaction price.

The duration of contractual arrangements with our customers in the wholesale and direct-to-consumer channels is typically less than one year. Payment terms with customers are generally between 30 and 60 days. The Company does not adjust the promised amount of consideration for the effects of a significant financing component as it is expected, at contract inception, that the period between the transfer of the promised good or service to the customer and the customer payment for the good or service will be one year or less.

The amount of revenue recognized in the wholesale and direct-to-consumer channels reflects the expected consideration to be received for providing the goods or services to the customer, which includes estimates for variable consideration. Variable consideration includes allowances for trade terms, sales incentive programs, discounts, markdowns, chargebacks and product

KONTOOR BRANDS, INC.
Notes to Combined Financial Statements
(Unaudited)

returns. Estimates of variable consideration are determined at contract inception and reassessed at each reporting date, at a minimum, to reflect any changes in facts and circumstances. The Company utilizes the expected value method in determining its estimates of variable consideration, based on evaluations of specific product and customer circumstances, historical and anticipated trends and current economic conditions.

Revenue from the sale of gift cards is deferred and recorded as a contract liability until the gift card is redeemed by the customer, factoring in breakage as appropriate, which considers whether the Company has a legal obligation to remit the value of the unredeemed gift card to any jurisdiction under unclaimed property regulations.

The *VF Outlet*[™] stores maintain customer loyalty programs where customers earn rewards from qualifying purchases, which are redeemable for discounts on future purchases or other rewards. For its customer loyalty programs, the Company estimates the standalone selling price of the loyalty rewards and allocates a portion of the consideration for the sale of products to the loyalty points earned. The deferred amount is recorded as a contract liability, and is recognized as revenue when the points are redeemed or when the likelihood of redemption is remote.

The Company has elected to treat all shipping and handling activities as fulfillment costs and recognize the costs as "selling, general and administrative expenses" at the time the related revenue is recognized. Shipping and handling costs billed to customers are included in "net revenues". Sales taxes and value added taxes collected from customers and remitted directly to governmental authorities are excluded from the transaction price.

The Company has licensing agreements for its symbolic intellectual property, most of which include minimum guaranteed royalties. Royalty income is recognized as earned over the respective license term based on the greater of minimum guarantees or the licensees' sales of licensed products at rates specified in the licensing contracts. Royalty income related to the minimum guarantees is recognized using a measure of progress with variable amounts recognized only when the cumulative earned royalty exceeds the minimum guarantees. As of March 2019, the Company expects to recognize \$38.2 million of fixed consideration related to the future minimum guarantees in effect under its licensing agreements and expects such amounts to be recognized over time through March 2023. The variable consideration is not disclosed as a remaining performance obligation as the licensing arrangements qualify for the sales-based royalty exemption.

The Company has applied the practical expedient to recognize incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that otherwise would have been recognized is one year or less.

Performance Obligations

Disclosure is required for the aggregate transaction price allocated to performance obligations that are unsatisfied at the end of a reporting period, unless the optional practical expedients are applicable. The Company elected the practical expedients to not disclose the transaction price allocated to remaining performance obligations for i) variable consideration related to sales-based royalty arrangements and ii) contracts with an original expected duration of one year or less.

As of March 2019, there were no arrangements with transaction price allocated to remaining performance obligations other than (i) contracts for which the Company has applied the practical expedients discussed above and (ii) fixed consideration related to future minimum guarantees.

For the three months ended March 2019, revenue recognized from performance obligations satisfied, or partially satisfied, in prior periods was not material.

Contract Balances

Accounts receivable represent the Company's unconditional right to receive consideration from a customer and are recorded at net invoiced amounts, less an estimated allowance for doubtful accounts.

Contract assets are rights to consideration in exchange for goods or services that have been transferred to a customer when that right is conditional on something other than the passage of time. Once the Company has an unconditional right to consideration under a contract, amounts are invoiced and contract assets are reclassified to "accounts receivable". The Company's primary contract assets relate to sales-based royalty arrangements.

Contract liabilities are recorded when a customer pays consideration, or the Company has a right to an amount of consideration that is unconditional, before the transfer of a good or service to the customer, and thus represent the Company's obligation to transfer the good or service to the customer at a future date. The Company's primary contract liabilities relate to gift cards, loyalty programs and sales-based royalty arrangements.

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The following table provides information about accounts receivable, contract assets and contract liabilities recorded in the combined balance sheets:

(In thousands)	March 2019	March 2018
Accounts receivable, net	\$ 299,328	\$ 318,480
Contract assets ^(a)	1,930	680
Contract liabilities ^(b)	1,995	2,292

(a) Included in "other current assets" in the combined balance sheets.

(b) Included in "accrued liabilities" in the combined balance sheets.

For the three months ended March 2019 and 2018, the Company recognized \$1.3 million and \$1.2 million, respectively, of revenue that was previously included in the contract liability balances. The changes in the contract asset and contract liability balances primarily result from the timing differences between the Company's satisfaction of performance obligations and the customer's payment.

Disaggregation of Revenue

The following tables disaggregate our revenues by channel and geography, which provides a meaningful depiction of how the nature, timing and uncertainty of revenues are affected by economic factors. Revenues from licensing arrangements have been included within the U.S. or Non-U.S. Wholesale channels, based on the respective region covered by the agreement. Branded Direct-to-Consumer revenues include the distribution of our products via concession retail locations internationally, *Wrangler*[®] and *Lee*[®] branded full-price stores globally and Company-owned outlet stores globally. The Branded Direct-to-Consumer channel also includes our branded products sold in our U.S.-based *VF Outlet*[™] stores and our products that are marketed and distributed online via www.wrangler.com and www.lee.com. The Other channel includes (i) sales of VF-branded (other than *Wrangler*[®] and *Lee*[®]) and third-party branded merchandise in our *VF Outlet*[™] stores, (ii) sales to VF for products manufactured in our plants and use of our transportation fleet and (iii) revenues from fulfilling a transition services agreement related to VF's sale of its *Nautica*[®] brand business in mid-2018.

(In thousands)	Three Months Ended March 2019			
	Wrangler	Lee	Other	Total
Channel revenues				
U.S. Wholesale	\$ 276,825	\$ 100,859	\$ 6,725	\$ 384,409
Non-U.S. Wholesale	68,655	100,896	—	169,551
Branded Direct-To-Consumer	24,455	39,776	—	64,231
Other	—	—	30,153	30,153
Total	\$ 369,935	\$ 241,531	\$ 36,878	\$ 648,344
Geographic revenues				
U.S.	\$ 293,869	\$ 119,120	\$ 36,878	\$ 449,867
International	76,066	122,411	—	198,477
Total	\$ 369,935	\$ 241,531	\$ 36,878	\$ 648,344

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(In thousands)	Three Months Ended March 2018			
	Wrangler	Lee	Other	Total
Channel revenues				
U.S. Wholesale	\$ 263,786	\$ 110,259	\$ 7,564	\$ 381,609
Non-U.S. Wholesale	76,006	107,861	—	183,867
Branded Direct-To-Consumer	25,191	43,841	—	69,032
Other	—	—	35,155	35,155
Total	\$ 364,983	\$ 261,961	\$ 42,719	\$ 669,663
Geographic revenues				
U.S.	\$ 279,640	\$ 128,964	\$ 42,719	\$ 451,323
International	85,343	132,997	—	218,340
Total	\$ 364,983	\$ 261,961	\$ 42,719	\$ 669,663

NOTE 5 — SALE OF ACCOUNTS RECEIVABLE

VF has an agreement with a financial institution to sell selected trade accounts receivable on a recurring, non-recourse basis. Under the agreement, up to \$377.5 million of VF's trade accounts receivable may be sold to the financial institution and remain outstanding at any point in time. Prior to the separation from VF, the Company had a separate agreement with VF, pursuant to which the Company's trade accounts receivable were sold as part of this program. The Company did not retain any interests in the sold accounts receivable but continued to service and collect outstanding accounts receivable on behalf of VF.

The Company removes the sold balances from "accounts receivable" in the combined balance sheet at the time of sale. The amount due from VF for these sales is separately reflected in the combined balance sheets within "due from related parties", as VF periodically remits cash to the Company for these transactions. Refer to Note 14 of the combined financial statements for additional information.

During the three months ended March 2019 and March 2018, the Company sold total trade accounts receivable of \$245.0 million and \$243.1 million, respectively, to VF. As of March 2019, December 2018 and March 2018, \$286.8 million, \$544.9 million and \$266.1 million, respectively, of the sold trade accounts receivable had been removed from "accounts receivable" and reflected in the combined balance sheet within "due from related parties".

The Company's portion of the funding fee charged by the financial institution is reflected in the combined statements of income within "other expense, net" and was \$1.4 million and \$1.0 million for the three months ended March 2019 and March 2018, respectively. Net proceeds of this program are reflected as operating activities in the combined statements of cash flows.

NOTE 6 — INVENTORIES

(In thousands)	March 2019	December 2018	March 2018
	Finished products	\$ 454,763	\$ 396,345
Work-in-process	37,872	37,466	20,810
Raw materials	26,371	40,001	40,019
Total inventories	\$ 519,006	\$ 473,812	\$ 499,849

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NOTE 7 — PENSION PLANS

Certain Company employees participate in U.S. and international defined benefit pension plans sponsored by VF (the "Shared Plans"), which include participants of other VF operations. The Company accounts for its participation in the Shared Plans as a multi-employer benefit plan. Accordingly, net periodic pension benefits specifically related to Company employees are reflected in the combined statements of income and the Company does not record an asset or liability in relation to the funded or unfunded status of the Shared Plans.

The Company recognized the following net pension benefits for the Shared Plans:

	Three Months Ended	
(In thousands)	March 2019	March 2018
Service cost	\$ 336	\$ 1,366
Non-service components	(965)	(2,095)
Net periodic pension benefit	\$ (629)	\$ (729)

The service cost component of net periodic pension benefit is reflected in the combined statements of income within "cost of goods sold" and "selling, general and administrative expenses". The non-service components of net periodic pension benefit is reflected in the combined statements of income within "selling, general and administrative expenses."

NOTE 8 — ACCUMULATED OTHER COMPREHENSIVE LOSS

The Company's comprehensive income consists of net income and specified components of other comprehensive loss ("OCL"), which relate to changes in assets and liabilities that are not included in net income but are instead deferred and accumulated within a separate component of equity in the combined balance sheets. The Company's comprehensive income is presented in the combined statements of comprehensive income.

The changes in accumulated OCL, all of which relate to foreign currency translation, are as follows:

	Accumulated OCL
Balance, December 2018	\$ (145,182)
Gains arising during period	758
Income tax effect	—
Balance, March 2019	\$ (144,424)

	Accumulated OCL
Balance, December 2017	\$ (122,482)
Gains arising during period	9,701
Income tax effect	—
Balance, March 2018	\$ (112,781)

NOTE 9 — STOCK-BASED COMPENSATION

Certain Company employees participate in the VF amended and restated 1996 Stock Compensation Plan. The following disclosures of stock-based compensation activity are based on grants related directly to Company employees.

VF's common stock at a weighted average exercise price of \$82.38 per share. The exercise price of each option granted was equal to the fair market value of VF's common stock on the date of grant. Employee stock options vest in equal annual installments over three years.

During the three months ended March 2019, VF granted stock options to the Company's employees to purchase 4,036 shares of

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The grant date fair value of each option award is calculated using a lattice option-pricing valuation model, which incorporates the following assumptions for inputs:

	Three Months Ended March 2019
Expected volatility	25% to 27%
Weighted average expected volatility	26%
Expected term (in years)	6.1 to 7.5
Weighted average dividend yield	2.5%
Risk-free interest rate	2.5% to 2.8%
Weighted average fair value at date of grant	\$18.13

NOTE 10 — INCOME TAXES

For purposes of the Company's combined financial statements, income taxes have been calculated as if the Company were filing income tax returns on a standalone basis. The Company's U.S. operations and certain of its non-U.S. operations historically have been included within the tax returns of VF, or VF's subsidiaries, that may not remain with the Company after the Separation. The Company believes the assumptions supporting its allocations and presentation of income taxes on a separate return basis are reasonable. However, the Company's tax results, as presented in the combined financial statements, may not be reflective of the results that the Company expects to generate in future periods.

On January 15, 2019, final regulations under Section 965 related to the transition tax were released. After analyzing these regulations during the three months ended March 2019, the Company recorded an additional net charge of \$0.2 million, primarily comprised of \$3.9 million of tax expense related to transition tax and a net tax benefit of \$3.7 million related to a reduction in unrecognized tax benefits as a result of the final regulations.

The effective income tax rate for the three months ended March 2019 was 44.7% compared to 15.0% in the 2018 period. The three months ended March 2019 included a net discrete tax expense of \$1.2 million, primarily comprised of \$2.8 million of net tax expense related to unrecognized tax benefits and interest, \$2.2 million of tax benefit related to stock compensation, and \$0.2 million of tax expense related to adjustments of previously recorded amounts based on final regulations for the transition tax. The \$1.2 million net discrete tax expense in the three months ended March 2019 increased the effective income tax rate by 4.4%.

The effective tax rate for the three months ended March 2018 included a net discrete tax benefit of \$6.3 million, which included \$5.5 million of net tax benefits related to the realization of previously

unrecognized tax benefits and interest and \$0.8 million of tax benefit related to stock compensation. The \$6.3 million net discrete tax benefit in the 2018 period decreased the effective income tax rate by 6.7%.

Without discrete items, the effective income tax rate for the three months ended March 2019 increased by 18.6% compared with the 2018 period primarily due to losses incurred in the current period for certain Central and South American jurisdictions for which no related tax benefit was recognized.

The Company is part of VF's consolidated U.S. federal income tax return, as well as separate and combined VF income tax returns in numerous state and international jurisdictions. In the U.S., the Internal Revenue Service examinations for VF's tax years through 2014 have been effectively settled. In addition, VF is currently subject to examination by various state and international tax authorities. Management regularly assesses the potential outcomes of both ongoing and future examinations for the current and prior years, and has concluded that the Company's provision for income taxes is adequate. The outcome of any one examination is not expected to have a material impact on the Company's combined financial statements. Management believes that some of these audits and negotiations will conclude during the next 12 months.

During the three months ended March 2019, the amount of net unrecognized tax benefits and associated interest decreased by \$2.6 million to \$48.7 million. Management believes that it is reasonably possible that the amount of unrecognized income tax benefits and interest may decrease during the next 12 months by approximately \$6.3 million related to the completion of examinations and other settlements with tax authorities and the expiration of statutes of limitations, of which \$6.1 million would reduce income tax expense.

NOTE 11 — REPORTABLE SEGMENT INFORMATION

The chief operating decision maker allocates resources and assesses performance based on a global brand view which determines the Company's operating segments. These operating segments are the basis for the Company's reportable segments, as described below:

- Wrangler — *Wrangler*[®] branded denim, apparel and accessories.
- Lee — *Lee*[®] branded denim, apparel and accessories.

In addition, we report an "Other" category for purposes of reconciliation of revenues and profit, but the Other category is not

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considered a reportable segment. Other includes sales (i) of VF-branded products (other than *Wrangler*[®] and *Lee*[®] branded products, which are reported in the respective segments above) and third-party branded merchandise at *VF Outlet*[™] stores, (ii) of *Rock and Republic*[®] branded apparel, (iii) to VF for products manufactured in our plants and use of our transportation fleet and, (iv) from fulfillment of a transition services agreement associated with VF's sale of its *Nautica*[®] brand business in mid-2018.

Accounting policies utilized for internal management reporting at the individual segments are consistent with those included in Note 1 of the combined financial statements of our 2018 Form 10, except as noted below.

The Company's combined statements of income include costs for certain centralized functions and programs provided and administered by VF that are charged directly to VF's businesses, including the Company. These centralized functions and programs include, but are not limited to, information technology, human resources, accounting shared services, supply chain, insurance, and the service cost component of net periodic pension benefit. These historical allocations have been included in the measurement of segment profit below.

Financial information for the Company's reportable segments is as follows:

	Three Months Ended	
	March 2019	March 2018
(In thousands)		
Segment revenues:		
Wrangler	\$ 369,935	\$ 364,983
Lee	241,531	261,961
Other	36,878	42,719
Total segment revenues	\$ 648,344	\$ 669,663
Segment profit:		
Wrangler	\$ 23,665	\$ 62,946
Lee	17,633	35,989
Other	(3,085)	(1,749)
Total segment profit	\$ 38,213	\$ 97,186
Corporate and other expenses	(13,989)	(5,975)
Related party interest income, net	2,339	1,651
Other interest income, net	1,325	917
Income before income taxes	\$ 27,888	\$ 93,779

NOTE 12 — FAIR VALUE MEASUREMENTS

Financial assets and financial liabilities measured and reported at fair value are classified in a three-level hierarchy that prioritizes the inputs used in the valuation process. A financial instrument's categorization within the valuation hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The hierarchy is based on the observability and objectivity of the pricing inputs, as follows:

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

- Level 2 — Significant directly observable data (other than Level 1 quoted prices) or significant indirectly observable data through corroboration with observable market data. Inputs would normally be (i) quoted prices in active markets for similar assets or liabilities, (ii) quoted prices in inactive markets for identical or similar assets or liabilities or (iii) information derived from or corroborated by observable market data.
- Level 3 — Prices or valuation techniques that require significant unobservable data inputs. These inputs would normally be the Company's own data and judgments about

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assumptions that market participants would use in pricing the asset or liability.

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

(In thousands)	Total Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
March 2019				
Financial assets:				
Cash equivalents:				
Money market funds	\$ 7,686	\$ 7,686	\$ —	\$ —
Time deposits	3,691	3,691	—	—
Investment securities	50,782	50,782	—	—
Financial liabilities:				
Deferred compensation	50,782	—	50,782	—

(In thousands)	Total Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
December 2018				
Financial assets:				
Cash equivalents:				
Money market funds	\$ 21,687	\$ 21,687	\$ —	\$ —
Time deposits	2,518	2,518	—	—
Investment securities	46,666	46,666	—	—
Financial liabilities:				
Deferred compensation	46,666	—	46,666	—

The Company's cash equivalents include money market funds and short-term time deposits that approximate fair value based on Level 1 measurements. Investment securities are held in VF's deferred compensation plans as an economic hedge of the related deferred compensation liabilities. These investments are mutual funds (Level 1) that are valued based on quoted prices in active markets. Liabilities related to VF's deferred compensation plans are recorded at amounts due to participants, based on the fair value of the participants' selection of hypothetical investments.

and financial liabilities include cash held as demand deposits, accounts receivable, due from related parties, related party notes receivable, short-term borrowings, accounts payable, due to related parties, related party notes payable and accrued liabilities. At March 2019 and December 2018, carrying value approximated fair value for the aforementioned financial assets and liabilities due to the short-term nature of these instruments. The Company did not transfer any assets or liabilities among the levels of the fair value hierarchy during the three months ended March 2019 or the fiscal year ended December 2018.

All other financial assets and financial liabilities are recorded in the combined financial statements at cost. These other financial assets

NOTE 13 — RESTRUCTURING

The Company typically incurs restructuring charges related to cost optimization of business activities. Of the \$22.8 million of restructuring charges recognized during the three months ended March 2019, \$12.0 million were reflected in "selling, general and administrative expenses" and \$10.8 million were reflected in "cost of goods sold". Additionally, all of the \$1.9 million of restructuring charges recognized during the three months ended March 2018 was reflected in "selling, general and administrative expenses."

The Company did not incur significant incremental costs related to the previously approved initiatives during the three months ended March 2019. Of the \$36.6 million total restructuring accrual reported in the combined balance sheet at March 2019, \$35.8 million is expected to be paid out within the next 12 months and is classified within "accrued liabilities". The remaining \$0.8 million is expected to be paid out beyond the next 12 months and thus is classified within "other liabilities".

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The components of the restructuring charges are as follows:

(in thousands)	Three Months Ended	
	March 2019	March 2018
Severance and employee-related benefits	\$ 13,157	\$ 1,936
Asset impairments	1,596	—
Inventory write-downs	4,403	—
Other	3,660	—
Total restructuring charges	\$ 22,816	\$ 1,936

Restructuring costs by business segment are as follows:

(In thousands)	Three Months Ended	
	March 2019	March 2018
Wrangler	\$ 16,422	\$ 826
Lee	6,224	677
Other	170	433
Total	\$ 22,816	\$ 1,936

The activity in the restructuring accrual for the three-month periods ended March 2019 and 2018 is as follows:

(In thousands)	Severance	Other	Total
Accrual at December 2018	\$ 23,249	\$ —	\$ 23,249
Charges	13,157	3,660	16,817
Cash payments	(3,046)	—	(3,046)
Adjustments to accruals	(230)	—	(230)
Currency translation	(17)	(197)	(214)
Accrual at March 2019	\$ 33,113	\$ 3,463	\$ 36,576

(in thousands)	Severance	Other	Total
Accrual at December 2017	\$ 11,007	\$ —	\$ 11,007
Charges	1,936	—	1,936
Cash payments	(837)	—	(837)
Adjustments to accruals	(197)	—	(197)
Currency translation	4	—	4
Accrual at March 2018	\$ 11,913	\$ —	\$ 11,913

NOTE 14 — RELATED PARTY TRANSACTIONS

The combined financial statements have been prepared on a standalone basis and are derived from the consolidated financial statements and accounting records of VF. The following discussion summarizes activity between the Company and VF (and its affiliates that were not part of the spin-off transaction) referred to hereafter as VF.

Allocation of General Corporate Expenses

The combined statements of income include expenses for certain centralized functions and other programs provided and administered by VF that were charged directly to the Company. In addition, for purposes of preparing these combined financial statements on a carve-out basis, we have allocated a portion of VF's total corporate expenses to the Company. See Note 1 in the 2018 Form 10 for a discussion of the methodology used to allocate corporate-related costs for purposes of preparing these financial statements on a carve-out basis.

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Related Party Sales and Purchases

During the three months ended March 2019 and 2018, the Company's sales to VF totaled \$10.6 million and \$13.5 million, respectively, which are included in "net revenues" in the combined statements of income. The Company's cost of goods sold includes items purchased from VF totaling \$0.3 million and \$0.8 million during the three months ended March 2019 and 2018, respectively. At March 2019, December 2018 and March 2018, the aggregate amount of inventories purchased from VF that remained on the Company's combined balance sheets were \$1.2 million, \$0.8 million and \$1.9 million, respectively.

Related Party Notes

At March 2019, December 2018 and March 2018, the Company had related party notes receivable of \$517.9 million, \$517.9 million and \$546.7 million, respectively, with VF as the counterparty. These notes are short-term and are recorded in the combined balance sheets in "related party notes receivable". The weighted-average interest rate for these notes was approximately 3.7%, 3.4% and 2.4% at March 2019, December 2018 and March 2018, respectively.

At March 2019, December 2018 and March 2018, the Company had related party notes payable of \$241.9 million, \$269.1 million and \$269.1 million, respectively, with VF as the counterparty. These notes are short-term and are recorded within the combined balance

Due from related parties, current consists of the following:

(in thousands)	March 2019	December 2018	March 2018
Sale of trade accounts receivable	\$ 286,816	\$ 544,858	\$ 266,112
Hedging agreements with VF	4,266	2,832	8,256
Other	45	—	—
	\$ 291,127	\$ 547,690	\$ 274,368

As discussed in Note 5 to the combined financial statements, the Company sold certain of its trade accounts receivable to VF, who then sold them to a financial institution and periodically remitted cash back to the Company.

Due from related parties, noncurrent consists of the following:

(in thousands)	March 2019	December 2018	March 2018
Hedging agreements with VF	\$ 370	\$ 611	\$ 1,576

Due to related parties, current consists of the following:

(in thousands)	March 2019	December 2018	March 2018
Sourcing payable	\$ 3,865	\$ 16,140	\$ 60,424

sheets in "related party notes payable". The weighted-average interest rate for these notes was approximately 3.7%, 3.4% and 2.3% at March 2019, December 2018 and March 2018, respectively.

The Company recorded net interest income related to these notes of \$2.3 million and \$1.7 million during the three months ended March 2019 and 2018, respectively, which is reflected in "related party interest income, net" within the combined statements of income.

Due To and From Related Parties

Balances in due to and from related parties are generated by (i) the sale of trade accounts receivable to VF, as discussed in Note 5 to the combined financial statements, (ii) hedging agreements with VF, and (iii) sourcing payable to VF.

During the periods presented, the Company did not enter into derivative contracts with external counterparties. However, VF entered into derivative contracts with external counterparties to hedge certain foreign currency transactions with exposure to the euro, Mexican peso, Polish zloty, Canadian dollar, and other currencies. The Company entered into offsetting internal contracts with VF with maturities up to 20 months, and cash settled with VF on any asset or liability that arose under these contracts.

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Net Transfers To and From VF

Net transfers to and from VF are included in "parent company investment" within the combined statements of equity. The components of the transfers to and from VF are as follows:

(In thousands)	Three Months Ended	
	March 2019	March 2018
General financing activities	\$ (198,411)	\$ 70,930
Corporate allocations	31,153	33,849
Stock-based compensation expense	7,685	3,740
Pension benefit	(629)	(729)
Purchases from parent	700	833
Sales to parent	(10,611)	(13,479)
Other income tax	8,248	18,301
Transition tax related to the Tax Act	3,937	—
Total net transfer (to) from parent	\$ (157,928)	\$ 113,445

NOTE 15 — EARNINGS PER SHARE

Earnings per share was calculated based on the 56,647,561 shares of the Company's common stock distributed to VF shareholders on May 22, 2019. The same number of shares is being utilized for the calculation of basic and diluted earnings per share for all periods presented prior to the Separation.

(In thousands, except per share amounts)	Three Months Ended March	
	2019	2018
Net income	\$ 15,413	\$ 79,696
Per share data		
Basic earnings per share	\$ 0.27	\$ 1.41
Diluted earnings per share	\$ 0.27	\$ 1.41
Weighted average number of shares outstanding - basic and diluted	56,647,561	56,647,561

NOTE 16 — SUBSEQUENT EVENTS

Credit Agreement

On May 17, 2019, the Company and its wholly-owned subsidiary Lee Wrangler International Sagl entered into a credit agreement (the "Credit Agreement") with respect to \$1.55 billion in senior secured credit facilities consisting of a senior secured five-year \$750 million term loan A facility (the "Term Loan A Facility"), a senior secured seven-year \$300 million term loan B facility (the "Term Loan B Facility") and a five-year \$500 million senior secured revolving credit facility (the "Revolving Credit Facility") (collectively, the "Credit Facilities") with the lenders and agents party thereto. The Credit Agreement is subject to certain affirmative and negative covenants customary for financings of this type.

On May 17, 2019, the Company incurred \$1.05 billion of indebtedness under the Credit Facilities, the proceeds of which were used primarily to finance a cash transfer to a member of VF's group in connection with the Separation. Following the Separation, we expect to utilize the borrowing capacity under

the Revolving Credit Facility from time to time to provide working capital and funds for general corporate purposes.

Tax Matter

On May 19, 2019, Switzerland voted to approve the Federal Act on Tax Reform and AHV Financing ("Swiss Tax Act"). The Company is currently evaluating the potential impact of the Swiss Tax Act on the Company's combined financial statements. The associated tax effects will be reflected in the Company's quarterly results in the period in which the Swiss Tax Act is enacted.

Distribution from VF

On May 22, 2019, the Separation was completed through VF's distribution (the "Distribution") of 100% of the shares of Kontoor Brands, Inc. to holders of VF common stock as of the close of business on the record date of May 10, 2019. As a result of the Distribution, VF stockholders of record received one share of the Company's common stock for every seven shares of VF common stock. Following the Distribution, Kontoor Brands, Inc. became an

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independent, publicly-traded company with no retained ownership by VF.

Sale of Accounts Receivable

On April 1, 2019, the Company entered into an agreement with a financial institution to sell selected trade accounts receivable on a recurring, nonrecourse basis. Under this agreement, which replaces the existing agreement between VF and a financial institution, up to \$377.5 million of the Company's trade accounts receivable may be sold to the financial institution and remain outstanding at any point in time.

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

Background

On August 13, 2018, V.F. Corporation ("VF") announced its intention to spin-off its Jeanswear business into a separate publicly traded company (the "Separation"). The Jeanswear business includes the *Wrangler*®, *Lee*® and *Rock & Republic*® brands, as well as the *VF Outlet*™ business. The financial condition and results of operations as of March 30, 2019 are prior to the Separation and thus are prepared on a "carve-out" basis as further described in Note 1 of the combined financial statements.

On May 22, 2019, VF completed the spin-off of Kontoor Brands, Inc. ("Kontoor," the "Company," "we," "us" or "our") through a pro-rata distribution of one share of Kontoor common stock for every seven shares of VF common stock held at the close of business on the record date of May 10, 2019. Kontoor began to trade as a separate public company (NYSE: KTB) on May 23, 2019. In connection with the Separation, Kontoor transferred approximately \$1.0 billion to VF on May 17, 2019 from a newly structured third-party debt issuance.

Description of Business

The Company is a global denim and casual apparel company headquartered in the United States ("U.S."). The Company designs, produces, procures, markets and distributes apparel primarily under the brand names *Wrangler*® and *Lee*®. The Company's products are sold in the U.S. through mass merchants, specialty stores, mid-tier and traditional department stores, company-operated stores and online. The Company's products are also sold internationally, primarily in Europe and Asia, through department, specialty, company-operated, concession retail and independently operated partnership stores and online. *VF Outlet*™ stores carry *Wrangler*® and *Lee*® branded products, as well as merchandise that is specifically purchased for sale in these stores, including products from VF.

Fiscal Year

The Company operates and reports using a 52/53 week fiscal year ending on the Saturday closest to December 31 of each year. Accordingly, the three-month period ended March 30, 2019 represents the first quarter of the Company's fiscal year ended December 28, 2019 ("fiscal 2019"). For presentation purposes herein, all references to periods ended March 2019, December 2018 and March 2018 correspond to the fiscal periods ended March 30, 2019, December 29, 2018 and March 31, 2018, respectively.

Basis of Presentation

References to fiscal 2019 foreign currency amounts herein reflect the changes in foreign exchange rates from fiscal 2018 and the corresponding impact on translating foreign currencies into U.S. dollars and on foreign currency-denominated transactions in countries with highly inflationary economies. Our most significant foreign currency exposure is driven by business conducted in euro-based countries. However, we conduct business in other developed and emerging markets around the world with exposure to other foreign currencies.

Amounts herein may not recalculate due to the use of unrounded numbers.

These accompanying unaudited combined financial statements reflect the historical financial position, results of operations and cash flows of the Company for the periods presented as historically managed within VF. For purposes of preparing these combined financial statements on a "carve-out" basis, the balance sheets and cash flows included only those assets and liabilities directly related to the Jeanswear and *VF Outlet*™ businesses, and the statements of income included the historically reported results of those businesses along with allocations of a portion of VF's total corporate expenses. Accordingly, the balances in periods after the Separation may not be comparable to the balances presented in this Form 10-Q. Below are some considerations related to post-Separation presentation:

- The assets and liabilities ultimately transferred to the Company at the time of Separation differed in some cases from those presented in the accompanying combined balance sheets. For example, VF decided during the first quarter of 2019 to cease its operations in Argentina, including those of the Company, and agreed to retain all assets and liabilities of the Company's operations in Argentina post-Separation. Thus, the balances related to the Jeanswear Argentina operations were reported as dedicated assets and liabilities for carve-out purposes but will not be included in the Company's balance sheet after the Separation.
- Certain revenues and costs presented in the accompanying combined statements of income will not continue after the Separation. For example, VF retained management of the U.S. pension plan at the time of Separation and a replacement plan was not established by the Company; thus, the statements of income after the Separation will only include pension costs related to international plans. Also, certain sales to VF will not continue after the Separation.
- Additionally, costs presented in the statements of income after the Separation may differ from costs reported for carve-out purposes. For example, allocations of VF's stock compensation costs will be replaced by the actual expense related to equity instruments held by Company employees, and allocations of corporate overhead expenses will be replaced by the actual costs

to run a standalone public company. Actual costs incurred after the Separation will depend on many factors, including the organizational structure, the duration and cost of transition service agreements, the information technology infrastructure, and the level of cost-optimization initiatives.

- Related party balances were settled prior to or at the time of the Separation, and the Company began to report transactions for functions previously managed by VF, such as derivatives, sale of accounts receivables, debt financing and cash management.

Business Overview

The Company is focused on growing our three strategic channels, with higher levels of growth anticipated in our Non-U.S. Wholesale and Branded Direct-to-Consumer channels, as we pursue a broader set of product, channel and geographic opportunities for the *Wrangler*® and *Lee*® brands. Our U.S. Wholesale channel will continue to receive full focus and commitment.

As part of a centralized approach to our global business, our management team will provide global oversight for their respective business functions, including supply chain, digital, direct-to-consumer and strategy, while seeking to ensure that we maintain our worldwide presence and regional approach. Focusing on our near- to medium-term business strategy, we have incurred incremental costs in recent periods related to business model changes, restructuring programs and costs associated with the Separation, which we expect will result in a reduction of future operating costs. These initiatives have included exiting unprofitable markets in select European and South American countries including transitioning our Central America and South America ("CASA") region to a distributor model, streamlining and right sizing supply chain operations including the closure of three owned manufacturing facilities in Mexico; streamlining our global organizational structure including a redesign of our commercial organization in the U.S. and Asia, and relocating the *Lee*® brand's North American headquarters to Greensboro, North Carolina. We will continue to implement various operational initiatives to address inefficiencies throughout our organization along with cost savings programs that we expect to generate meaningful benefits on a global basis.

HIGHLIGHTS OF THE FIRST QUARTER OF FISCAL 2019

- Net revenues decreased 3% to \$648.3 million compared to the three months ended March 2018, primarily due to a 3% unfavorable impact from foreign currency, as increases in the Wrangler segment were offset by declines in the Lee segment.
- U.S. Wholesale revenues increased 1% compared to the three months ended March 2018, and represent 59% of total revenues in the current period.
- International revenues decreased 9% compared to the three months ended March 2018, primarily due to declines in the Non-U.S. Wholesale channel driven by a 9% unfavorable impact from foreign currency. International revenues represent 31% of total revenues in the current period.
- Branded Direct-to-Consumer revenues decreased 7% compared to the three months ended March 2018, primarily due to a 6% unfavorable impact from foreign currency. The Branded Direct-to-Consumer channel represents 10% of total revenues in the current period.
- Gross margin decreased 480 basis points to 38% compared to the three months ended March 2018, primarily due to business model changes, restructuring programs and transaction costs associated with the Separation, which negatively impacted the current period by approximately 380 basis points. The remaining decrease in gross margin during the current period was primarily due to an increase in distressed sales and adverse product cost factors.
- Net income decreased 81% to \$15.4 million compared to \$79.7 million for the three months ended March 2018 primarily due to the initiatives discussed above.

ANALYSIS OF RESULTS OF OPERATIONS

Combined Statements of Income

The following table presents a summary of the changes in net revenues for the three months ended March 2019 as compared to the three months ended March 2018:

	Three Months Ended March
(in millions)	
Net revenues — 2018	\$ 669.7
Operations	(2.8)
Impact of foreign currency	(18.6)
Net revenues — 2019	\$ 648.3

Net revenues decreased 3% for the three months ended March 2019 as compared to the 2018 period, primarily due to a 3% unfavorable impact from foreign currency, as increases in the Wrangler segment were offset by declines in the Lee segment.

Additional details on revenues are provided in the section titled "information by reportable segment."

The following table presents components of the combined statements of income as a percent of total revenues:

	Three Months Ended March	
	2019	2018
(in millions)		
Gross margin (total net revenues less cost of goods sold)	38.1 %	42.9 %
Selling, general and administrative expenses	34.3 %	29.1 %
Operating income	3.9 %	13.8 %

Gross margin for the three months ended March 2019 decreased approximately 480 basis points compared to the 2018 period. The three months ended March 2019 includes business model changes, restructuring programs and transaction costs associated with the Separation, which negatively impacted the current period by approximately 380 basis points. The remaining decrease in gross margin during the current period was primarily due to an increase in distressed sales and adverse product cost factors.

Selling, general and administrative expenses as a percentage of total revenues for the three months ended March 2019 increased approximately 520 basis points compared to the 2018 period. The three months ended March 2019 includes business model changes, restructuring programs and transaction costs associated with the Separation, which negatively impacted the current period by approximately 310 basis points. The remaining increase in the current period was primarily driven by higher bonus expense and advertising costs as compared to the prior period.

The effective income tax rate for the three months ended March 2019 was 44.7% compared to 15.0% in the 2018 period. The three months ended March 2019 included a net discrete tax expense of \$1.2 million, primarily comprised of \$2.8 million of net tax expense related to unrecognized tax benefits and interest, \$2.2 million of tax benefit related to stock compensation, and \$0.2 million of tax expense related to adjustments of previously recorded amounts based on final regulations for the transition tax. The \$1.2 million net discrete tax expense in the three months ended March 2019 increased the effective income tax rate by 4.4%. The effective tax rate for the three months ended March 2018 included a net discrete tax benefit of \$6.3 million, which included \$5.5 million of net tax benefits related to the realization of previously unrecognized tax benefits and interest and \$0.8 million of tax benefit related to stock compensation. The \$6.3 million net discrete tax benefit in the 2018 period decreased the effective income tax rate by 6.7%. Without discrete items, the effective income tax rate for the three months ended March 2019 increased by 18.6% compared with the 2018 period primarily due to losses incurred in the current period for certain CASA jurisdictions for which no related tax benefit was recognized.

Information by Reportable Segment

Management at each of the brands has direct control over and responsibility for its revenues and operating income, hereinafter termed "segment revenues" and "segment profits," respectively. Our management evaluates operating performance and makes investment and other decisions based on segment revenues and segment profit. Common costs for certain centralized functions provided and administered by VF, such as information technology, human resources, accounting shared services, supply chain, insurance, and the

service cost component of net periodic pension benefit are allocated to the segments based on appropriate metrics such as usage or proportion of revenues.

The following tables present a summary of the changes in segment revenues and segment profit for the three months ended March 2019 as compared to the 2018 period:

Segment Revenues:

(in millions)	Three Months Ended March			
	Wrangler	Lee	Other	Total
Segment revenues — 2018	\$ 365.0	\$ 262.0	\$ 42.7	\$ 669.7
Operations	14.1	(11.1)	(5.8)	(2.8)
Impact of foreign currency	(9.2)	(9.4)	—	(18.6)
Segment revenues — 2019	\$ 369.9	\$ 241.5	\$ 36.9	\$ 648.3

Segment Profit:

(in millions)	Three Months Ended March			
	Wrangler	Lee	Other	Total
Segment profit — 2018	\$ 62.9	\$ 36.0	\$ (1.7)	\$ 97.2
Operations	(50.3)	(18.7)	(1.4)	(70.4)
Impact of foreign currency	11.1	0.3	—	11.4
Segment profit — 2019	\$ 23.7	\$ 17.6	\$ (3.1)	\$ 38.2

The following sections discuss the changes in segment revenue and segment profit.

Wrangler

(Dollars in millions)	Three Months Ended March		
	2019	2018	Percent Change
Segment revenues	\$ 369.9	\$ 365.0	1.4 %
Segment profit	\$ 23.7	\$ 62.9	(62.4)%
Operating margin	6.4%	17.2%	

Global revenues for the *Wrangler*® brand increased 1% for the three months ended March 2019 as compared to the 2018 period, as growth in U.S. wholesale revenues was partially offset by declines in non-U.S. wholesale and branded direct-to-consumer revenues.

Revenues in the Americas region increased 4% for the three months ended March 2019 as compared to the 2018 period, primarily due to increases in U.S. wholesale revenues resulting from a shift in the timing of sales to a key customer along with growth in key western accounts. This increase is partially offset by declines in non-U.S. Americas wholesale revenues, which decreased 14% for the three months ended March 2019 as compared to the 2018 period, primarily due to a 20% unfavorable impact from foreign currency driven by the highly inflationary economy in Argentina, partially offset by strong growth in Mexico wholesale revenues driven by an increase in seasonal sales to key accounts. Revenues in the Asia-Pacific ("APAC") region decreased 9% for the three months ended March 2019 as compared to the 2018 period due to a 9% unfavorable impact from foreign currency. Revenues in the Europe, Middle East and Africa ("EMEA") region decreased 10% for the three months ended March 2019 as compared to the 2018 period, primarily due to an 8% unfavorable impact from foreign currency along with declines in wholesale and branded direct-to-consumer revenues despite a shift of spring/summer deliveries to the current period.

Operating margin decreased to 6.4% for the three months ended March 2019 as compared to 17.2% for the 2018 period, primarily due to higher restructuring charges and bonus expense in the current period.

Lee**Three Months Ended March**

(Dollars in millions)	2019	2018	Percent Change
Segment revenues	\$ 241.5	\$ 262.0	(7.8)%
Segment profit	\$ 17.6	\$ 36.0	(51.0)%
Operating margin	7.3%	13.7%	

Global revenues for the Lee® brand decreased 8% for the three months ended March 2019 as compared to the 2018 period, driven by declines across all channels.

Revenues in the Americas region decreased 7% for the three months ended March 2019 as compared to the 2018 period, primarily due to declines in U.S. wholesale revenues. The U.S. wholesale channel revenues were negatively impacted, in part, by the bankruptcy of a key retail partner along with declining sales of our Lee® Riders® brand. Revenues in the non-U.S. Americas region were flat for the three months ended March 2019 as compared to the 2018 period, as growth in wholesale revenues in Mexico was offset by an 8% unfavorable impact from foreign currency related primarily to the highly inflationary economy in Argentina. Revenues in the APAC region decreased 1% for the three months ended March 2019 compared to the 2018 period, primarily due to a 6% unfavorable impact from foreign currency offset by increases in wholesale revenues as the prior year period included elevated levels of product returns resulting from a strategic transition within a key market. Revenues in the EMEA region decreased 17% for the three months ended March 2019 as compared to the 2018 period, primarily due to an 8% unfavorable impact from foreign currency during 2019, the bankruptcy of a key retail partner, and declines in wholesale and branded direct-to-consumer revenues despite a shift of spring/summer deliveries to the current period.

Operating margin decreased to 7.3% for the three months ended March 2019 as compared to 13.7% for the 2018 period, primarily due to higher restructuring charges and bonus expense in the current period along with expense deleverage on lower revenues.

In addition, we report an "Other" category for purposes of a reconciliation of segment revenues and segment profit to combined operating results, but the Other category is not considered a reportable segment.

Other**Three Months Ended March**

(Dollars in millions)	2019	2018	Percent Change
Revenues	\$ 36.9	\$ 42.7	(13.7)%
Loss	\$ (3.1)	\$ (1.7)	(76.4)%
Operating margin	(8.4)%	(4.1)%	

Other revenues decreased 14% for the three months ended March 2019 as compared to the 2018 period, primarily due to a 15% decline in VF Outlet™ store revenues as a result of a decrease in comparable store sales along with decreased store counts and square footage as compared to 2018.

Total sales to VF included in other revenues are \$10.6 million and \$13.5 million for the three months ended March 2019 and 2018, respectively.

Reconciliation of Segment Profit to Income Before Income Taxes

For purposes of preparing these combined financial statements on a "carve-out" basis, the Company has been allocated a portion of VF's total corporate expenses. These additional allocations are reported as corporate and other expenses in the table below. Refer to Note 1 of the combined financial statements for additional information on the Company's methodology for allocating these costs.

There are three types of costs necessary to reconcile total segment profit to combined income before taxes. These costs are corporate and other expenses, related party interest income, net and other interest income, net. These costs are excluded from segment profit as they are managed centrally and are not under control of brand management.

	Three Months Ended March		
(Dollars in millions)	2019	2018	Percent Change
Corporate and other expenses	\$ 14.0	\$ 6.0	134.1%
Related party interest income, net	2.3	1.7	41.7%
Other interest income, net	\$ 1.3	\$ 0.9	44.5%

Corporate and other expenses increased 134% for the three months ended March 2019 as compared to the 2018 period, primarily due to an increase in general corporate allocations, driven by higher bonus expense in the current period along with \$3.0 million of incremental costs attributable to the Separation.

Liquidity and Capital Resources

Historically, we have generated strong annual cash flows from operating activities. However, we have operated within VF's cash management structure, which uses a centralized approach to cash management and financing of our operations. A substantial portion of the Company's cash was transferred to VF, which is not reflective of the manner in which we would have been able to finance our operations had we been an independent, publicly traded company during the periods presented herein.

The cash and equivalents held by VF at the corporate level are not specifically identifiable to the Company and therefore have not been reflected within our combined balance sheets. VF's third-party long-term debt and the related interest expense have not been allocated to the Company for any of the periods presented herein as we were not the legal obligor of the respective debt obligations. Following the Separation, our capital structure and sources of liquidity will no longer be part of VF's capital structure as we will be a standalone public company and will no longer participate in VF's centralized cash management program.

Our ability to fund our operating needs will be dependent upon our future ability to continue to generate positive cash flow from operations and obtain debt financing on acceptable terms. Based upon our history of generating positive cash flows from operations, we believe that we will be able to support our short-term liquidity needs. We believe that we will be able to sufficiently fund known and reasonably likely future liquidity and capital requirements through the combination of cash flows from operations, available cash balances and borrowing capacity from the issuance of third-party debt. In the event that the aforementioned sources of liquidity need to be augmented, additional cash requirements would likely be financed through the issuance of debt or equity securities; however, there can be no assurances that we will be able to obtain additional debt or equity financing on acceptable terms, if required, in future periods.

We anticipate utilizing cash flows from operations to support continued investments in our brands, talent and capabilities, growth strategies, dividend payments to shareholders, and repayment of our debt obligations over time. Management believes that our cash balances and funds provided by operating activities, along with expected borrowing capacity and access to capital markets, taken as a whole, provide (i) adequate liquidity to meet all of our current and long-term obligations when due, including third-party debt incurred in connection with the Separation, (ii) adequate liquidity to fund capital expenditures and planned dividend payouts, and (iii) flexibility to meet investments opportunities that may arise.

On May 17, 2019, we borrowed \$1.05 billion of newly structured third-party debt, which we utilized primarily to finance a cash transfer to a member of VF's group in connection with the Separation. This debt obligation may restrict our business strategies and may adversely impact our financial condition, results of operations or cash flows. Additionally, our separation from VF may increase our overall cost of debt funding and decrease the overall debt capacity and commercial credit available to the Company.

The Company intends to pay cash dividends in future periods. The declaration and amount of any future dividends will be determined and subject to authorization by our Board of Directors and will be dependent upon multiple factors including our financial condition, earnings, cash flows, capital requirements, covenants associated with our debt obligations, legal requirements, regulatory constraints, industry practice, and any other factors or considerations that our Board of Directors deems relevant.

Our cash flows were as follows:

	Three Months Ended March	
(in millions)	2019	2018
Cash provided (used) by operating activities	\$ 206.5	\$ (114.4)
Cash (used) provided by investing activities	(5.3)	0.9
Cash (used) provided by financing activities	(195.6)	117.3

Cash Provided (Used) by Operating Activities

Cash flow provided by operating activities is dependent on the level of net income, adjustments to net income and changes in working capital.

Cash provided by operating activities increased \$320.9 million for the three months ended March 2019 as compared to the 2018 period, primarily due to a reduction in amounts due from related parties as a result of timing of settlement primarily related to the Company's sale of accounts receivable arrangement.

Cash (Used) Provided by Investing Activities

Cash used by investing activities increased \$6.2 million for the three months ended March 2019 as compared to the 2018 period.

The Company had related party notes receivable, with VF as the counterparty, of \$517.9 million at March 2019 and \$546.7 million at March 2018. The notes outstanding at March 2019 were scheduled to mature during fiscal 2019, and were transferred to and retained by VF at the time of the Separation.

Cash (Used) Provided By Financing Activities

Cash used by financing activities increased \$312.9 million in the three months ended March 2019 primarily due to net transfers to parent.

The Company had related party notes payable, with VF as the counterparty, of \$241.9 million and \$269.1 million at March 2019 and 2018, respectively. The notes outstanding at March 2019 were scheduled to mature during fiscal 2019, and were transferred to and retained by VF at the time of the Separation.

We have \$36.1 million of international lines of credit with various banks, which are uncommitted and may be terminated at any time by either us or the banks. Total outstanding balances under these arrangements were \$8.4 million at March 2019 and \$12.1 million at March 2018. Borrowings under these arrangements include letters of credit which are non-interest bearing to the Company of \$6.0 million at March 2019 and \$8.6 million at March 2018.

The section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Contractual Obligations" included in the Company's Registration Statement on Form 10, as amended and filed with the Securities and Exchange Commission ("SEC") on April 30, 2019 ("2018 Form 10") provided a table summarizing our contractual obligations and commercial commitments at the end of 2018 that would require the use of funds. As of March 2019, there have been no material changes in the amounts disclosed in the 2018 Form 10.

Critical Accounting Policies and Estimates

We have chosen accounting policies that management believes are appropriate to accurately and fairly report our operating results and financial position in conformity with GAAP. We apply these accounting policies in a consistent manner. Significant accounting policies are summarized in Note 1 to the combined financial statements included in the 2018 Form 10.

The application of these accounting policies require that we make estimates and assumptions about future events and apply judgments that affect the reported amounts of assets, liabilities, revenues, expenses, contingent assets and liabilities, and related disclosures. These estimates, assumptions and judgments are based on historical experience, current trends and other factors believed to be reasonable under circumstances. Management evaluates these estimates and assumptions on an ongoing basis. Because our business cycle is relatively short (i.e., from the date that inventory is received until that inventory is sold and the trade accounts receivable is collected), actual results related to most estimates are known within a few months after any balance sheet date. In addition, we may retain outside specialists to assist in impairment testing of goodwill and intangible assets. If actual results ultimately differ from previous estimates, the revisions are included in results of operations when the actual amounts become known.

The accounting policies that involve the most significant estimates, assumptions and management judgments used in preparation of the combined financial statements, or are the most sensitive to change outside factors, are discussed in Management's Discussion and Analysis in the 2018 Form 10. Except as disclosed in Note 2 to our combined financial statements in this Form 10-Q, pertaining to adoption of new accounting pronouncements, there have been no material changes in these policies.

Recently Issued and Adopted Accounting Standards

Refer to Note 2 to our combined financial statements for additional information regarding recently issued and adopted accounting standards.

Cautionary Statement on Forward-looking Statements

From time to time, the Company may make oral or written statements, including statements in this quarterly report that constitute "forward-looking statements" within the meaning of the federal securities laws. These include statements concerning plans, objectives, projections and expectations relating to the Company's operations or economic performance and assumptions related thereto. Forward-looking statements are made based on management's expectations and beliefs concerning future events impacting the Company and therefore

involve a number of risks and uncertainties. Forward-looking statements are not guarantees, and actual results could differ materially from those expressed or implied in the forward-looking statements.

Potential risks and uncertainties that could cause the actual results of operations or financial condition of the Company to differ materially from those expressed or implied by forward-looking statements in this release include, but are not limited to: risks associated with the Company's spin-off from VF Corporation, including the risk of disruption to our business in connection with the spin-off and that the Company could lose revenue as a result of such disruption; the risk that the Company does not realize all of the expected benefits of the spin-off; the risk that the spin-off will not be tax-free for U.S. federal income tax purposes; and the risk that there will be a loss of synergies from separating the businesses that could negatively impact the balance sheet, profit margins or earnings of the Company. Other risks for Company include foreign currency fluctuations; the level of consumer demand for apparel; disruption to distribution systems; reliance on a small number of large customers; the financial strength of customers; fluctuations in the price, availability and quality of raw materials and contracted products; disruption and volatility in the global capital and credit markets; response to changing fashion trends, evolving consumer preferences and changing patterns of consumer behavior, intense competition from online retailers, and manufacturing and product innovation; increasing pressure on margins; ability to implement its business strategy; ability to grow its international and direct-to-consumer businesses; the company and its vendors' ability to maintain the strength and security of information technology systems; the risk that facilities and systems and those of third-party service providers may be vulnerable to and unable to anticipate or detect data security breaches and data or financial loss; ability to properly collect, use, manage and secure consumer and employee data; stability of manufacturing facilities and foreign suppliers; continued use by suppliers of ethical business practices; ability to accurately forecast demand for products; continuity of members of management; ability to protect trademarks and other intellectual property rights; possible goodwill and other asset impairment; maintenance by licensees and distributors of the value of our brands; ability to execute and integrate acquisitions; changes in tax laws and liabilities; legal, regulatory, political and economic risks; the risk of economic uncertainty associated with the pending exit of the United Kingdom from the European Union ("Brexit") or any other similar referendums that may be held; and adverse or unexpected weather conditions. More information on potential factors that could affect the Company's financial results will be included from time to time in our public reports filed with the SEC, including the Company's 2018 Form 10.

ITEM 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the Company's market risk exposures set forth under Item 2 in the 2018 Form 10.

ITEM 4 — CONTROLS AND PROCEDURES

(a) *Disclosure Controls and Procedures.* As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive and principal financial officers, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13(a)-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")). Based on such evaluation, our principal executive and principal financial officers concluded that our disclosure controls and procedures were effective and operating to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and to provide reasonable assurance that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

(b) *Internal Control Over Financial Reporting.* There have been no changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) during the period to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control financial reporting. As of March 30, 2019, we utilized the criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

PART II — OTHER INFORMATION

ITEM 1 — LEGAL PROCEEDINGS

The Company is involved in various claims and lawsuits arising in the normal course of business, none of which, in the opinion of management, is expected to have a material adverse effect on our results of operations or financial condition.

ITEM 1A — RISK FACTORS

You should carefully consider the risk factors set forth under Part I, Item 1A, "Risk Factors," in the 2018 Form 10. There have been no material changes to the risk factors from those described in the 2018 Form 10.

ITEM 2 — UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table sets forth repurchases of our common stock during the first quarter of fiscal 2019:

First Quarter 2019	Total Number of Shares Purchased	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Dollar Value of Shares that May Yet be Purchased Under the Program
December 30, 2018 - January 26, 2019	—	\$ —	—	\$ —
January 27, 2019 - February 23, 2019	—	—	—	—
February 24, 2019 - March 30, 2019	—	—	—	—
Total	—	\$ —	—	—

ITEM 6 — EXHIBITS

- | | |
|----------------------|--|
| 2.1 | Separation and Distribution Agreement dated May 22, 2019 (incorporated by reference to Exhibit 2.1 to the Form 8-K of Kontoor Brands, Inc. filed with the Commission on May 23, 2019 (File No. 001-38854)) |
| 3.1* | Amended and Restated Articles of Incorporation of Kontoor Brands, Inc. effective as of May 7, 2019 |
| 3.2* | Amended and Restated Bylaws of Kontoor Brands, Inc. effective as of May 7, 2019 |
| 10.1 | Tax Matters Agreement dated May 22, 2019 (incorporated by reference to Exhibit 10.1 to the Form 8-K of Kontoor Brands, Inc. filed with the Commission on May 23, 2019 (File No. 001-38854)). |
| 10.2 | Transition Services Agreement dated May 22, 2019 (incorporated by reference to Exhibit 10.2 to the Form 8-K of Kontoor Brands, Inc. filed with the Commission on May 23, 2019 (File No. 001-38854)) |
| 10.3 | VF Intellectual Property License Agreement dated May 17, 2019 (incorporated by reference to Exhibit 10.3 to the Form 8-K of Kontoor Brands, Inc. filed with the Commission on May 23, 2019 (File No. 001-38854)) |
| 10.4 | Kontoor Intellectual Property License Agreement dated May 17, 2019 (incorporated by reference to Exhibit 10.4 to the Form 8-K of Kontoor Brands, Inc. filed with the Commission on May 23, 2019 (File No. 001-38854)) |
| 10.5 | Employee Matters Agreement dated May 22, 2019 (incorporated by reference to Exhibit 10.5 to the Form 8-K of Kontoor Brands, Inc. filed with the Commission on May 23, 2019 (File No. 001-38854)) |
| 10.6 | Credit Agreement dated May 17, 2019, among Kontoor Brands, Inc., Lee Wrangler International Sagl, the Borrowing Subsidiaries and the lenders and agents party thereto (incorporated by reference to Exhibit 10.6 to the Form 8-K of Kontoor Brands, Inc. filed with the Commission on May 23, 2019 (File No. 001-38854)) |
| 10.7 | Change in Control Agreement by and between Scott H. Baxter and Kontoor Brands, Inc. dated May 23, 2019 (incorporated by reference to Exhibit 10.7 to the Form 8-K of Kontoor Brands, Inc. filed with the Commission on May 23, 2019 (File No. 001-38854)) |

10.8	Change in Control Agreement by and between Rustin Welton and Kontoor Brands, Inc. dated May 23, 2019 (incorporated by reference to Exhibit 10.8 to the Form 8-K of Kontoor Brands, Inc. filed with the Commission on May 23, 2019 (File No. 001-38854))
10.9	Change in Control Agreement by and between Thomas E. Waldron and Kontoor Brands, Inc. dated May 23, 2019 (incorporated by reference to Exhibit 10.9 to the Form 8-K of Kontoor Brands, Inc. filed with the Commission on May 23, 2019 (File No. 001-38854))
10.10	Change in Control Agreement by and between Christopher Waldeck and Kontoor Brands, Inc. dated May 23, 2019 (incorporated by reference to Exhibit 10.10 to the Form 8-K of Kontoor Brands, Inc. filed with the Commission on May 23, 2019 (File No. 001-38854))
10.11	Change in Control Agreement by and between Laurel Krueger and Kontoor Brands, Inc. dated May 23, 2019 (incorporated by reference to Exhibit 10.11 to the Form 8-K of Kontoor Brands, Inc. filed with the Commission on May 23, 2019 (File No. 001-38854))
10.12	Kontoor Brands, Inc. 2019 Stock Compensation Plan (incorporated by reference to Exhibit 10.6 to the Registration Statement on Form 10 filed with the Commission on April 1, 2019 (File No. 001-38854))
10.13	Kontoor Brands Executive Deferred Savings Plan (incorporated by reference to Exhibit 10.13 to the Registration Statement on Form 10 filed with the Commission on April 1, 2019 (File No. 001-38854))
10.14	Kontoor Brands Executive Deferred Savings Plan II (incorporated by reference to Exhibit 10.14 to the Registration Statement on Form 10 filed with the Commission on April 1, 2019 (File No. 001-38854))
10.15	Kontoor Brands 401(k) Savings Plan (incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-8 filed with the Commission on May 20, 2019 (File No. 333-231627))
10.16	Form of Stock Compensation Plan Non-Qualified Stock Option Certificate (incorporated by reference to Exhibit 10.7 to the Registration Statement on Form 10 filed with the Commission on April 1, 2019 (File No. 001-38854))
10.17	Form of Stock Compensation Plan Non-Qualified Stock Option Certificate for Non-Employee Directors (incorporated by reference to Exhibit 10.8 to the Registration Statement on Form 10 filed with the Commission on April 1, 2019 (File No. 001-38854))
10.18	Form of Award Certificate for Performance-Based Restricted Stock Units (incorporated by reference to Exhibit 10.9 to the Registration Statement on Form 10 filed with the Commission on April 1, 2019 (File No. 001-38854))
10.19	Form of Award Certificate for Restricted Stock Units for Non-Employee Directors (incorporated by reference to Exhibit 10.10 to the Registration Statement on Form 10 filed with the Commission on April 1, 2019 (File No. 001-38854))
10.20	Form of Award Certificate for Restricted Stock Units (incorporated by reference to Exhibit 10.11 to the Registration Statement on Form 10 filed with the Commission on April 1, 2019 (File No. 001-38854))
10.21	Form of Award Certificate for Restricted Stock (incorporated by reference to Exhibit 10.12 to the Registration Statement on Form 10 filed with the Commission on April 1, 2019 (File No. 001-38854))
10.22	Form of Management Incentive Compensation Plan (incorporated by reference to Exhibit 10.16 to the Registration Statement on Form 10 filed with the Commission on April 1, 2019 (File No. 001-38854))
10.23	Form of Deferred Savings Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.17 to the Registration Statement on Form 10 filed with the Commission on April 1, 2019 (File No. 001-38854))
10.24	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.18 to the Registration Statement on Form 10 of Kontoor Brands, Inc. filed with the Commission on April 1, 2019 (File No. 001-38854))
10.25	Form of Mid-Term Incentive Plan, a subplan under the Stock Compensation Plan (incorporated by reference to Exhibit 10.19 to the Registration Statement on Form 10 filed with the Commission on April 1, 2019 (File No. 001-38854))
31.1*	Certification of Scott H. Baxter, Chairman, President and Chief Executive Officer, pursuant to 15 U.S.C. Section 10A, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Rustin Welton, Vice President and Chief Financial Officer, pursuant to 15 U.S.C. Section 10A, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Scott H. Baxter, Chairman, President and Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Rustin Welton, Vice President and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
*	Filed herewith.
**	Furnished herewith.

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.

KONTOOR BRANDS, INC.

(Registrant)

By: /s/ Rustin Welton
Rustin Welton
Vice President and Chief Financial Officer
(Principal Financial Officer)

By: /s/ Denise Sumner
Denise Sumner
Vice President and Chief Accounting Officer
(Principal Accounting Officer)

Date: June 20, 2019

KONTOOR BRANDS, INC.
AMENDED AND RESTATED ARTICLES OF INCORPORATION

Kontoor Brands, Inc. (the “**Corporation**”), a corporation organized and existing under the North Carolina Business Corporation Act of the State of North Carolina as the same exists or may hereafter be amended (the “**NCBCA**”), was originally incorporated pursuant to the original Articles of Incorporation (the “**Original Articles**”) filed with the office of the Secretary of State of the State of North Carolina on November 28, 2018. These Amended and Restated Articles of Incorporation (the “**Articles of Incorporation**”) were duly adopted by the Board of Directors of the Corporation and by the shareholder of the Corporation in accordance with Section 55-10-03 of the NCBCA. These Articles of Incorporation shall become effective immediately prior to the effectiveness of the Corporation’s Registration Statement on Form 10, initially filed with the Securities and Exchange Commission on April 1, 2019, including all amendments and exhibits thereto, relating to the registration of the Corporation’s Common Stock under Section 12(b) of the Securities Exchange Act of 1934, as amended. Upon the effectiveness of these Articles of Incorporation, the text of the Original Articles is amended and restated in its entirety as follows:

FIRST: The name of the Corporation is Kontoor Brands, Inc.

SECOND: The name and location of the Corporation’s registered agent in the State of North Carolina is Corporation Service Company, 327 Hillsborough Street, Wake County, Raleigh, North Carolina 27603.

THIRD: The principal office of the Corporation is 400 N. Elm Street, Greensboro, Guilford County, North Carolina.

FOURTH: The purpose for which the Corporation is incorporated is to have unlimited power to engage in and to do any lawful act concerning any or all lawful business for which corporations may be incorporated under the NCBCA.

FIFTH: The term of the Corporation’s existence is perpetual.

SIXTH: The Corporation is authorized to issue two classes of shares to be designated respectively “Preferred Stock” and “Common Stock”; the total number of shares which the Corporation shall have authority to issue is 690,000,000. The number of shares of Preferred Stock shall be 90,000,000, with no par value. The number of shares of Common Stock shall be 600,000,000, with no par value. The Board of Directors is authorized, subject to limitations prescribed by law, to provide by resolution for the issuance from time to time of the Preferred Stock in one or more series, any or all of which may have full, limited, multiple, fractional, or no voting rights, and such designations, preferences, qualifications, privileges, limitations, restrictions, options, conversion rights, and other special or relative rights as shall be stated in the resolution or resolutions adopted by the Board of Directors pursuant to the authority hereby expressly vested in such Board of Directors.

No holder of any of the shares of stock of the Corporation shall be entitled as a matter of right to purchase or to subscribe for any unissued stock of any class, or any additional shares of any class, to be issued by reason of any increase of the authorized capital stock of the Corporation of any class, or bonds, certificates of indebtedness, debentures, or other securities convertible into stock of the Corporation or carrying any right to purchase stock of any class, but any such unissued stock, or such additional authorized issue of any class of stock, or of other securities convertible into stock of the Corporation or carrying any right to purchase stock of any class, may be issued and disposed of, pursuant to resolutions of the Board of Directors, to such persons, firms, corporations, or associations and upon such terms as may be deemed advisable by the Board of Directors in the exercise of its discretion.

SEVENTH: (A) The business and affairs of the Corporation shall be managed by the Board of Directors, and all powers of the Corporation, except as otherwise provided by law, by these Articles, or by the Bylaws of the Corporation, shall be exercised by the Board of Directors.

(B) The number of directors of the Corporation shall be not less than six and may consist of such larger number as may be determined from time to time by the Board of Directors. From the effective date of these Articles (the "Effective Date") until the completion of the fourth annual meeting of shareholders to occur after the Effective Date, the directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as possible, of an equal number of directors and the allocation (including the initial allocation) of the directors among the three classes shall be determined by the Board of Directors. The term of the initial Class I directors shall terminate on the date of the first annual meeting of shareholders to occur after the Effective Date; the term of the initial Class II directors shall terminate on the date of the second annual meeting of shareholders to occur after the Effective Date; and the term of the initial Class III directors shall terminate on the date of the third annual meeting of shareholders to occur after the Effective Date and, in each case, until his or her successor has been elected and qualified or until his or her earlier death, resignation or removal. Each Class I director elected at the first annual meeting of shareholders to occur after the Effective Date, each Class II director elected at the second annual meeting of shareholders to occur after the Effective Date and each Class III director elected at the third annual meeting of shareholders to occur after the Effective Date shall hold office until the fourth annual meeting of shareholders to occur after the Effective Date and, in each case, until his or her successor has been elected and qualified or until his or her earlier death, resignation or removal. Commencing with the fourth annual meeting of shareholders after the Effective Date, the classification of the Board of Directors shall terminate and each director elected shall be elected for a one year term and such director shall hold office until the next annual meeting of shareholders and until his or her successor has been elected and qualified or until his or her earlier death, resignation or removal.

In no case will the manner of election prescribed in this Article SEVENTH, Section (B) shorten the term of any incumbent director.

(C) Except in the case of vacancies, directors shall be elected by the shareholders. Each director shall be elected by the vote of the majority of the votes cast with respect to the director at any meeting of the shareholders called for the purpose of the election of directors at which a quorum is present, provided that if as of a date that is ten (10) days in advance of the date the Corporation files its definitive proxy statement (regardless of whether or not thereafter revised or supplemented) with the Securities and Exchange Commission the number of nominees exceeds the number of directors to be elected, the directors shall be elected by the vote of a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote in the election of directors generally.

For the purposes of Section (C) of this Article SEVENTH, a "majority of the votes cast" means that the number of shares voted "for" a director must exceed the number of votes "withheld" with respect to that director.

The shareholders of the Corporation shall not have the right to cumulative voting in the election of directors.

(D) From the Effective Date until the completion of the fourth annual meeting of shareholders to occur after the Effective Date, any one or more directors who have been elected may be removed from office by the vote of shareholders entitled to cast 80% of the votes which all shareholders would be entitled to cast at any election of directors only for cause. From and after the completion of the fourth annual meeting of shareholders to occur after the Effective Date, any one or more directors who have been elected may be removed from office with or without cause by the vote of shareholders entitled to cast at least 80% of the votes which all shareholders would be entitled to cast at any election of directors. In case the Board of Directors or any one or more directors shall be so removed, new directors may be elected at the same meeting.

(E) Vacancies in the Board of Directors, whether occurring because of death, resignation, removal, increase in the number of directors, or because of some other reason, may be filled by a majority of the remaining members of the Board of Directors, though less than a quorum. If there remain no directors, then any such vacancy may be filled by the vote of the holders of a majority of the shares cast at a meeting of shareholders at which a quorum shall be present. From the Effective Date until the completion of the fourth annual meeting of shareholders to occur after the Effective Date, a director elected to fill a vacancy resulting from an increase in the number of

directors shall hold office for a term that shall coincide with the remaining term of the class of directors to which he or she is elected, and a director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his or her predecessor, in each case subject to such director's election at the next shareholders' meeting at which directors are elected. From and after the completion of the fourth annual meeting of shareholders to occur after the Effective Date, any director chosen to fill a vacancy, including a vacancy resulting from an increase in the number of directors, shall hold office until the next election of directors, and until his or her successor has been elected and qualified or until his or her earlier death, resignation or removal.

EIGHTH: (A) The annual meeting of the shareholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held at such time and on such date as the Board of Directors shall determine in accordance with the Bylaws of the Corporation.

(B) Special meetings of shareholders may be called at any time solely by the Chairman of the Board of Directors, or the Board of Directors acting pursuant to a resolution adopted by a majority of the Board of Directors.

(C) Subject to the rights of the holders of any class or series of Preferred Stock then outstanding, as may be set forth in the resolution or resolutions adopted by the Board of Directors pursuant to Article SIXTH of these Articles for such class or series of Preferred Stock, any action required or permitted to be taken at any annual or special meeting of shareholders may be taken only upon the vote of shareholders at an annual or special meeting duly noticed and called in accordance with the North Carolina Business Corporation Act, as amended from time to time, and these Articles and may not be taken by written consent of shareholders without a meeting.

NINTH: (A) Except as otherwise expressly provided in section (B) of this Article NINTH, the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (the "Voting Stock"), voting together as a single class, shall be required to approve any one or more of the transactions listed in paragraphs (i) through (vii) of this section (A), and the term "Business Combination" as used in this Article NINTH shall mean any transaction referred to in said paragraphs (i) through (vii). Such affirmative vote shall be required, the fact notwithstanding that no vote may be required or that a lesser percentage may be specified by law or in any agreement with any national securities exchange or otherwise. The Business Combination transactions include:

(i) any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with (a) an Interested Shareholder (as hereinafter defined) or (b) any other corporation (whether or not itself an Interested Shareholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an Interested Shareholder; or

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to an Interested Shareholder or an Affiliate of an Interested Shareholder of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value of 5% or more of the total assets of the Corporation and its consolidated Subsidiaries as reflected on the immediately preceding year-end consolidated balance sheet of the Corporation; or

(iii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to the Corporation or any Subsidiary of any assets of an Interested Shareholder or an Affiliate of an Interested Shareholder having an aggregate Fair Market Value of 5% or more of the total assets of the Corporation and its consolidated Subsidiaries as reflected on the immediately preceding year-end consolidated balance sheet of the Corporation; or

(iv) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary to an Interested Shareholder or an Affiliate of an Interested Shareholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of 5% or more of the total assets of the Corporation and its consolidated Subsidiaries as reflected on the immediately preceding year-end consolidated balance sheet of the Corporation; or

(v) the issuance or transfer by an Interested Shareholder or an Affiliate of an Interested Shareholder (in one transaction or a series of transactions) of any securities to the Corporation or any Subsidiary in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of 5% or more of the total assets of the Corporation and its consolidated Subsidiaries as reflected on the immediately preceding year-end consolidated balance sheet of the Corporation; or

(vi) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation or any Subsidiary proposed by or on behalf of an Interested Shareholder or an Affiliate of an Interested Shareholder; or

(vii) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Shareholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary which is directly or indirectly owned by an Interested Shareholder or an Affiliate of an Interested Shareholder.

(B) The provisions of section (A) of this Article NINTH shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as is required by law and any other provision of these Articles, if all of the conditions specified in either of the following paragraphs (i) and (ii) are met:

(i) The Business Combination shall have been approved prior to its consummation by a majority of the Disinterested Directors (as hereinafter defined).

(ii) All of the following conditions shall have been met:

(a) The aggregate amount of the cash and the Fair Market Value, as of the date of the consummation of the Business Combination, of consideration other than cash to be received per share by holders of shares of each class of outstanding capital stock shall be at least equal to the highest of the following:

(1) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Shareholder for any shares of each such class of capital stock acquired by it (a) within the two-year period immediately prior to the date of the first public announcement of the proposal of the Business Combination (the "Announcement Date") or (b) in the transaction in which it became an Interested Shareholder, whichever is higher;

(2) (if applicable) the highest preferential amount per share to which the holders of shares of each such class of capital stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation; and

(3) the Fair Market Value per share of each such class of capital stock on the Announcement Date or on the date on which the Interested Shareholder became an Interested Shareholder, whichever is higher.

The provisions of this subparagraph (ii)(a) shall be required to be met with respect to every class and series of outstanding capital stock, whether or not the Interested Shareholder has previously acquired beneficial ownership of any shares of a particular class or series of capital stock.

(b) The price determined in accordance with sub-paragraph (ii)(a) of this section (B) shall be subject to appropriate adjustment in the event of any stock dividend, stock split, combination of shares or similar event.

(c) The consideration to be received by holders of each class of outstanding capital stock shall be in cash or in the same form as the Interested Shareholder or an Affiliate of the Interested Shareholder has previously paid for shares of such class of capital stock. If the Interested Shareholder or an Affiliate of the Interested Shareholder has paid for shares of any class of capital stock with varying forms of consideration, the form of consideration for each share of such class shall be in cash, to the highest amount per share as was paid in cash to acquire any shares owned by the Interested Shareholder or any Affiliate of the Interested Shareholder, and the balance of the consideration for each such share shall be either in cash or in the form used to acquire the largest number of shares of such class previously acquired by the Interested Shareholder or any Affiliate of the Interested Shareholder.

(d) After such Interested Shareholder has become an Interested Shareholder and prior to the consummation of such Business Combination, except as approved by a majority of the Disinterested Directors: (1) there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on any outstanding Preferred Stock; (2) there shall have been (a) no reduction in the annual rate of dividends paid on the Common Stock (except as necessary to reflect any subdivision of the Common Stock), and (b) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the Common Stock; (3) such Interested Shareholder shall have not become the beneficial owner of any additional shares of Voting Stock except as part of the transaction which results in such Interested Shareholder becoming an Interested Shareholder; and (4) such Interested Shareholder shall not have received the benefit, directly or indirectly (except proportionately as a shareholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation, whether in anticipation of or in connection with such Business Combination or otherwise.

(e) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions corresponding to or replacing such Act, rules or regulations) shall be mailed to public shareholders of the Corporation at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions).

(C) For the purposes of this Article NINTH:

(i) A "person" shall mean any individual, firm, corporation or other entity.

(ii) "Interested Shareholder" shall mean any person (other than the Corporation or any Subsidiary) who or which:

(a) is the beneficial owner, directly or indirectly, of 20% or more of the voting power of the outstanding Voting Stock;

(b) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 20% or more of the voting power of the then outstanding Voting Stock; or

(c) is the beneficial owner of 5% or more of the shares of any class of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Shareholder; provided, however, that the term “Interested Shareholder” shall not include any employee benefit plan of the Corporation or any Subsidiary of the Corporation or any trustee or fiduciary with respect to any such plan when acting in the capacity of a trustee or fiduciary.

(iii) A person shall be a “beneficial owner” of any Voting Stock:

(a) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly; or

(b) which such person or any of its Affiliates or Associates has (1) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (2) the right to vote or to direct the vote pursuant to any agreement, arrangement or understanding, other than pursuant to a public solicitation of proxies; or

(c) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock, other than pursuant to a public solicitation of proxies.

(iv) For the purposes of determining whether a person is an Interested Shareholder pursuant to paragraph (ii) of this section (C), the number of shares of Voting Stock deemed to be outstanding shall include shares deemed beneficially owned by such person through application of paragraph (iii) of this section (C) but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(v) “Affiliate” or “Associate” shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect as of the Effective Date.

(vi) “Subsidiary” means any corporation of which a majority of any class of equity security is owned, directly or indirectly, by the Corporation; provided, however, that for the purposes of the definition of Interested Shareholder set forth in paragraph (ii) of this section (C), the term “Subsidiary” shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the Corporation.

(vii) “Disinterested Director” means any member of the Board of Directors of the Corporation who is unaffiliated with an Interested Shareholder and was a member of the Board of Directors prior to the time that the Interested Shareholder became an Interested Shareholder, and any successor of a Disinterested Director who is unaffiliated with the Interested Shareholder and is recommended to succeed a Disinterested Director by a majority of Disinterested Directors then on the Board of Directors. A member of the Board of Directors who is affiliated with an Interested Shareholder shall nevertheless be considered a Disinterested Director for the purpose of voting upon any matter in which the interests of such Interested Shareholder (or any Affiliate or Associate of such Interested Shareholder) are solely as a holder of shares of capital stock and are undifferentiated from the interests of other holders of the same class of shares of capital stock.

(viii) “Fair Market Value” means: (a) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the

New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Disinterested Directors in good faith; and (b) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Disinterested Directors in good faith.

(ix) In the event of any Business Combination in which the Corporation survives, the phrase “consideration other than cash to be received” as used in subparagraph (ii)(a) of section (B) of this Article NINTH shall include the shares of Common Stock and/or the shares of any other class of outstanding Voting Stock retained by the holders of such shares.

(D) A majority of the Disinterested Directors of the Corporation shall have the power and duty to determine for the purposes of this Article NINTH and Article TWELFTH, on the basis of information known to them after reasonable inquiry, (i) whether a person is an Interested Shareholder or a Disinterested Director, (ii) the number of shares of each class of capital stock beneficially owned by any person, (iii) whether a person is an Affiliate or Associate of another, (iv) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by or to the Corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of 5% or more of the total assets of the Corporation and its Subsidiaries as reflected on the immediately preceding year-end consolidated balance sheet of the Corporation. A majority of the Disinterested Directors of the Corporation shall have the further power to interpret all of the terms and provisions of this Article NINTH.

(E) Any other provisions of these Articles or the Bylaws of the Corporation to the contrary notwithstanding (and the fact notwithstanding that a lesser percentage may be specified by law, these Articles or the Bylaws of the Corporation), the affirmative vote of the holders of 80% or more of the outstanding Voting Stock, voting together as a single class, shall be required to amend or repeal, or adopt any provisions inconsistent with, this Article NINTH.

(F) If any section, sub-section, paragraph, subparagraph, clause, word, combination of words or other portion of this Article NINTH shall be illegal, invalid or unenforceable, then the illegal, invalid or unenforceable portion shall be stricken herefrom only in the circumstances then under adjudication, and the remaining provisions of this Article NINTH shall be considered as if the portion so struck does not form a part hereof.

TENTH: To the fullest extent permitted by law, and unless the Corporation consents in writing to the selection of an alternative forum, the North Carolina Business Court (or another state or federal court located in the State of North Carolina, if a dispute does not qualify for designation to the North Carolina Business Court or the North Carolina Business Court otherwise lacks jurisdiction), shall be the sole and exclusive forum for: (i) any derivative action or proceeding brought in the name or right of the Corporation or on its behalf, (ii) any action asserting a claim for breach of a fiduciary duty owed by any director, officer, employee, shareholder or other agent of the Corporation to the Corporation or the Corporation's shareholders, (iii) any action arising or asserting a claim arising pursuant to any provision of the North Carolina Business Corporation Act or any provision of these Articles or the Corporation's Bylaws or as to which the North Carolina Business Corporation Act or N.C. Gen. Stat. § 7A-45.4 confers jurisdiction on the North Carolina Business Court or (iv) any action asserting a claim relating to the internal affairs of the Corporation, including, without limitation, any action to interpret, apply, enforce or determine the validity of these Articles or the Corporation's Bylaws. Any person or entity purchasing or otherwise acquiring any interest in securities of the Corporation shall be deemed to have notice of and consented to the provisions of this Article TENTH. To the fullest extent permitted by applicable law, if any action the subject matter of which is within the scope of these Articles or the Corporation's Bylaws is filed in a court other than as specified above in the name of any shareholder, such shareholder shall be deemed to have consented to (a) personal jurisdiction before any state or federal court located in the State of North Carolina, as appropriate, in connection with any action brought in any such court to enforce these Articles and (b) having service of process made upon

such shareholder in any such action by service upon such shareholder's counsel in the action as agent for such shareholder.

ELEVENTH: (A) The Corporation shall indemnify to the fullest extent permitted by applicable law any person who was or is a party or is threatened to be made a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that such person is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another corporation or of a partnership, joint venture, trust or other enterprise or entity, whether or not for profit, whether domestic or foreign, including service with respect to an employee benefit plan, its participants or beneficiaries, against all liability, loss and expense (including attorneys' fees, judgments, fines and amounts paid in settlement) actually and reasonably incurred by such person in connection with such Proceeding, whether or not the indemnified liability arises or arose from any Proceeding by or in the right of the Corporation.

(B) Subject to Section (A) of this Article ELEVENTH, expenses incurred by a director or officer in defending (or acting as a witness in) a Proceeding shall be paid by the Corporation in advance of the final disposition of such Proceeding, subject to the provisions of applicable law, upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation under applicable law.

(C) To determine whether any indemnification or advance of expenses under this Article ELEVENTH is permissible, the Board of Directors by a majority vote of a quorum consisting of directors who are not parties to such Proceeding may, and on request of any person seeking indemnification or advance of expenses shall, reasonably determine (i) in the case of indemnification, whether the standards under applicable law have been met and (ii) in the case of an advance of expenses prior to a change of control of the Corporation as provided below, whether such advance is appropriate under the circumstance, provided that each such determination shall be made by independent legal counsel if such quorum is not obtainable, or even if obtainable, a majority vote of a quorum of directors who are not parties to the Proceeding so directs; and provided further that, if there has been a change in control of the Corporation between the time of the action or failure to act giving rise to the claim for indemnification or advance of expenses and the time such claim is made, at the option of the person seeking indemnification or an advance of expenses, the permissibility of indemnification shall be determined by independent legal counsel and the advance of expenses shall be obligatory subject to receipt of the undertaking specified in Section (B) of this Article ELEVENTH. The reasonable expenses of any director or officer in prosecuting a successful claim for indemnification, and the fees and expenses of any independent legal counsel engaged to determine permissibility of indemnification or advance of expenses, shall be borne by the Corporation.

(D) The obligations of the Corporation to indemnify a director or officer under this Article ELEVENTH, including, if applicable, the duty to advance expenses, shall be considered a contract between the Corporation and such director or officer, and no modification or repeal of any provision of this Article ELEVENTH shall affect, to the detriment of the director or officer, such obligations of the Corporation in connection with a claim based on any act or failure to act occurring before such modification or repeal.

(E) A director of the Corporation shall not be personally liable for monetary damages as such for breach of any duty or for any action taken, or any failure to take any action, unless (a) the director has breached or failed to perform the duties of his or her office under Section 55-8-30 of the North Carolina Business Corporation Act, as such law may be amended from time to time, (b) the director at the time of such breach, acts or omissions knew or believed that such breach, acts or omissions were clearly in conflict with the best interests of the Corporation, or (c) the director derived an improper personal benefit from such breach, act or omission; provided, however, that the provisions of this Section shall not apply to the responsibility or liability of a director pursuant to any criminal statute or the liability of a director for the payment of taxes pursuant to local, state or federal law.

(F) The rights and authority conferred in this Article ELEVENTH shall not be exclusive of any other right that any person may otherwise have or hereafter acquire.

(G) The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another corporation or of a partnership, joint venture, trust or other enterprise or entity, whether or not for profit, whether domestic or foreign, including service with respect to an employee benefit plan, its participants or beneficiaries, against any expense, liability or loss incurred by such person in any such capacity or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the North Carolina Business Corporation Act.

TWELFTH: (A) Except as provided in Article NINTH, Section (E), whenever any corporate action is to be taken by vote of the shareholders adopting, amending or repealing these Articles, the proposed corporate action shall be authorized only upon receiving at least 80% of the votes which all voting shareholders are entitled to cast thereon.

(B) Except as provided by law or in Article NINTH, Section (E), the Bylaws of the Corporation may be amended, altered, or repealed, including with respect to any By-Law adopted, altered or amended by the shareholders, or new Bylaws may be adopted, either (a) upon receiving at least 80% of the votes which all voting shareholders are entitled to cast on the proposed Bylaw change or adoption at any annual or special meeting of shareholders, or (b) by a vote of a majority of the directors of the Corporation, with or without the vote or assent of the shareholders, at any regular or special meeting of the Board of Directors.

THIRTEENTH: Any or all classes and series of shares, or any part thereof, may be represented by uncertificated shares to the extent determined by the Board of Directors, except that shares represented by a certificate that is issued and outstanding shall continue to be represented thereby until the certificate is surrendered to the Corporation.

FOURTEENTH: The provisions of Article 9 of the North Carolina Business Corporation Act entitled "The North Carolina Shareholder Protection Act" shall not be applicable to the Corporation.

FIFTEENTH: The provisions of Article 9A of the North Carolina Business Corporation Act entitled "The North Carolina Control Share Acquisition Act" shall not be applicable to the Corporation.

IN WITNESS WHEREOF, the undersigned has executed these Amended and Restated Articles of Incorporation as of this 7th day of May, 2019.

KONTOOR BRANDS, INC.

By: /s/ Laurel Krueger
Name: Laurel Krueger
Title: VP, General Counsel & Corporate
Secretary

BYLAWS
OF
KONTOOR BRANDS, INC.
(A North Carolina Corporation)

ARTICLE I
MEETINGS OF SHAREHOLDERS

Section 1. Place of Meeting. Meetings of shareholders shall be held at such geographic location, within or without the State of North Carolina, as may be fixed from time to time by the Board of Directors or, in the case of a special meeting, the Secretary. If no such geographic location is so fixed by the Board of Directors or the Secretary, as applicable, meetings of the shareholders shall be held at the principal executive office of the Corporation wherever situated.

Section 2. Annual Meeting. The annual meeting of the shareholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held, commencing with the year 2020, at such time and on such date as the Board of Directors shall determine.

Section 3. Special Meetings. Special meetings of shareholders may be called at any time solely by the Chairman of the Board of Directors or the Board of Directors acting pursuant to a resolution adopted by a majority of the Board of Directors.

Section 4. Adjournment. Adjournment or adjournments of any annual or special meeting may be taken, including one at which directors are to be elected, for such period as the shareholders present and entitled to vote shall direct.

Section 5. Notice of Meetings. Written notice (conforming to the provisions of Section 1 of Article IV of these Bylaws) of every meeting of the shareholders shall be given by the Secretary, in the case of an annual meeting, and by or at the direction of the person or persons authorized to call the meeting, in the case of a special meeting, to each shareholder of record entitled to vote at the meeting, no fewer than 10 nor more than 60 days prior to the day named for the meeting, unless a greater period of notice is by law required in a particular case. When a meeting is adjourned, it shall not be necessary to give any notice of the adjourned meeting or of the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which such adjournment is taken, unless the Board of Directors fixes a new record date for the adjourned meeting or the North Carolina Business Corporation Act requires notice of the business to be transacted and such notice has not previously been given. If the Corporation solicits proxies generally with respect to a meeting of its shareholders, it need not give notices of the meeting, or any material that accompanies the notice, to any shareholder not entitled to vote at the meeting.

Section 6. Quorum of Shareholders. A meeting of shareholders duly called shall not be organized for the transaction of business unless a quorum is present. The presence, in person or by proxy, of the holders of a majority of the outstanding shares entitled to cast a vote on the particular matter to be acted upon shall constitute a quorum for the purposes of consideration and action on the matter. The shareholders present at a duly organized meeting can continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum. To the extent a quorum is present with respect to consideration and action on a particular matter or matters but a quorum is not present as to another matter or other matters, consideration and action on the matter or matters for which a quorum is present may occur and, after such consideration and action, the meeting may be adjourned for purposes of the consideration of and action on the matter or matters for which a quorum is not present. If a meeting cannot be organized because a quorum has not attended, those present may adjourn the meeting to such time and place as they may determine; provided, however, that (i) in the case of any meeting called for the election of directors, those who attend the second of such adjourned meetings, although less than a quorum as fixed in this Section, shall nevertheless constitute a quorum for the purpose of electing directors and (ii) in the case of a meeting

that has been previously adjourned for one or more periods aggregating at least 15 days because of an absence of a quorum, although less than a quorum as fixed in the North Carolina Business Corporation Act or in these Bylaws, shall nevertheless constitute a quorum for the purpose of acting upon any matter set forth in the notice of the meeting if the notice states that those shareholders who attend the adjourned meeting shall nevertheless constitute a quorum for the purpose of acting upon the matter.

Section 7. Shareholders' List. After a record date is fixed for a meeting, the Secretary of the Corporation shall prepare an alphabetical list of the names of all the Corporation's shareholders who are entitled to notice of the shareholders' meeting. Such list shall be arranged by voting group (and within each voting group by class or series of shares) and shall show the address of and number of shares held by each shareholder. The shareholders' list shall be made available for inspection by any shareholder beginning two business days after notice of the meeting is given for which the list was prepared and continuing through the meeting, at the Corporation's principal office or at such other place identified in the meeting notice in the city where the meeting will be held. The Corporation shall make the shareholders' list available at the meeting, and any shareholder or his agent or attorney is entitled to inspect the list at any time during the meeting or any adjournment.

Section 8. Organization. At every meeting of the shareholders, the Chairman of the Board of Directors, or in his or her absence, the director designated by the vote of the majority of the directors present at such meeting, shall act as chairman of the meeting and the Secretary, or in his or her absence, a person appointed by the Chairman, shall act as secretary of the meeting.

Section 9. Voting.

(a) Voting Rights. Except as otherwise provided in the Articles, or by law, every shareholder of record shall have the right, on each matter submitted to a vote at a meeting of the shareholders, to one vote for every share standing in his or her name on the books of the Corporation. Holders of fractional shares shall not be entitled to any vote in respect thereof. Every shareholder may vote either in person or by proxy.

(b) Proxies. At all meetings of shareholders, shareholders entitled to vote may attend and vote either in person or by proxy. Every proxy appointment form shall be executed or authenticated by the shareholder, or by the shareholder's duly authorized attorney-in-fact, and shall be filed with, or transmitted to, the Secretary of the Corporation or its designated agent in writing or by electronic transmission. An appointment of a proxy, unless coupled with an interest (as defined in Section 55-7-22 of the North Carolina Business Corporation Act), shall be revocable at will, notwithstanding any other agreement or any provision in the proxy appointment form to the contrary, but the revocation of a proxy shall not be effective until notice thereof has been given to the Secretary of the Corporation or its designated agent in writing or by electronic transmission. No unrevoked appointment of proxy shall be valid after 11 months from the date of its execution, authentication or transmission, unless a longer time is expressly provided therein. A proxy shall not be revoked by the death or incapacity of the maker unless, before the vote is counted or the authority is exercised, written notice of such death or incapacity is given to the Secretary of the Corporation or its designated agent. A shareholder shall not sell his or her vote or execute a proxy to any person for any sum of money or anything of value.

(c) Ballot. No vote by the shareholders need be by ballot, except, in elections of directors, upon demand made by a shareholder entitled to vote at the election before the voting begins.

(d) Required Vote. Except as otherwise specified in the Articles of Incorporation of the Corporation, these Bylaws or provided by law, all matters shall be decided by the vote of the holders of a majority of the shares cast at a meeting at which a quorum shall be present, though such majority be less than a majority of all the outstanding shares entitled to vote thereon. The shareholders present at a duly organized meeting can continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

(e) Shares Owned by the Corporation. Shares of its own capital stock belonging to the Corporation (other than shares of its own capital stock, if any, held by it in a fiduciary capacity) shall not be voted, directly or indirectly, at any meeting, and shall not be counted in determining the total number of outstanding shares for voting purposes at any given time.

(f) Shares Owned by Other Corporations. Except as otherwise required by law, shares in this Corporation owned by another corporation may be voted by any officer or agent of the latter or by proxy appointed by any such officer or agent, unless some other person, by resolution of its Board of Directors or a provision of its charter or Bylaws, a copy of which resolution or provision certified to be correct by one of its officers has been filed with the Secretary of this Corporation, shall be appointed its general or special proxy, in which case such person shall be entitled to vote such shares.

(g) Shares Jointly Held or Held by Fiduciaries. Shares in this Corporation held by two or more persons jointly or as tenants in common, as fiduciaries or otherwise (including a partnership), may be voted by any one or more of such persons, either in person or by proxy. If the persons are equally divided upon whether the shares held by them shall be voted or upon the manner of voting the shares, the voting of the shares shall be divided equally among the persons without prejudice to the rights of the joint owners or the beneficial owners thereof among themselves. If there has been filed with the Secretary of the Corporation a copy, certified by an attorney at law to be correct, of the relevant portions of the agreement under which the shares are held or the instrument by which the trust or estate was created or the order of court appointing them or of an order of court directing the voting of the shares, the persons specified as having such voting power in the latest document so filed, and only those persons, shall be entitled to vote the shares but only in accordance therewith.

(h) Telephonic Meetings. Unless otherwise restricted by the Articles of Incorporation of the Corporation or these Bylaws, shareholders may participate in any meeting of shareholders by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence at the meeting.

Section 10. Determination of Shareholders of Record. The Board of Directors may fix a time prior to the date of any meeting of shareholders, or prior to any other date, including, but not limited to, the date fixed for the payment of any dividend or distribution, as a record date for the determination of the shareholders entitled to notice of, and to vote at, any such meeting or entitled to receive payment of any such dividend or distribution or as a record date for any other purpose, provided that the record date shall be not more than 70 days prior to the date of the meeting or action requiring a determination of shareholders. A determination of shareholders entitled to notice of or to vote at a meeting of shareholders is effective for any adjournment of the meeting unless the Board of Directors fixes a new record date, which it must do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting. Only such shareholders as shall be shareholders of record on the date so fixed shall be entitled to notice of, and to vote at, such meeting, or to receive payment of such dividend or distribution, or to such other rights as are involved, notwithstanding any transfer of any shares on the books of the Corporation after any record date fixed as aforesaid.

Unless a record date is fixed by the Board of Directors: (1) the record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the tenth day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day immediately preceding the day on which the meeting is held, (2) the record date for determining shareholders entitled to express consent or dissent to corporate action in writing without a meeting, when prior action by the Board of Directors is not necessary, shall be the close of business on the day on which the first written consent or dissent is filed with the Secretary of the Corporation, and (3) the record date for determining shareholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 11. Procedure for Notice of Shareholder Nominations and Proposals. Nominations of persons for election to the Board of Directors or the proposal of other business to be transacted by the shareholders at an annual meeting of shareholders may be made only (1) pursuant to the Corporation's notice of meeting (or any supplement thereto), (2) by or at the direction of the Board of Directors or any committee thereof or (3) as may be provided in the certificate of designations for any class or series of preferred stock or (4) by any shareholder of the Corporation who is a shareholder of record at the time of giving of notice provided for in Section 10 of this Article I and at the time of the annual meeting, who shall be entitled to vote at the meeting and who complies with the procedures set forth in this Section 11, and, except as otherwise required by law, any failure to comply with these procedures shall result in the nullification of such nomination or proposal.

For nominations or other business to be properly brought before an annual meeting of shareholders by a shareholder pursuant to clause (4) of the preceding paragraph, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation, and any such proposed business (other than the nominations of persons for election to the Board of Directors) must constitute a proper matter for shareholder action. To be timely, a shareholder's notice shall be delivered to, or mailed and received by, the Secretary of the Corporation at the principal executive offices of the Corporation not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting of shareholders (or, in the case of the first annual meeting, not less than 90 days nor more than 120 days prior to such meeting); provided, however, that in the event that the date of the annual meeting is advanced more than 30 days prior to such anniversary date or delayed more than 70 days after such anniversary date, then to be timely, such notice must be received by the Corporation no earlier than 120 days prior to such annual meeting and no later than the later of 70 days prior to the date of the meeting or the 10th day following the day on which public announcement of the date of the meeting was first made by the Corporation. In no event shall the adjournment or postponement of any meeting, or any announcement thereof, commence a new time period (or extend any time period) for the giving of a shareholder's notice as described above.

A shareholder's notice to the Secretary shall set forth (1) as to each person whom the shareholder proposes to nominate for election or reelection as a director: (i) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934 (as amended (together with the rules and regulations promulgated thereunder, the "Exchange Act")), including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; and (ii) a reasonably detailed description of any compensatory payment or other financial agreement, arrangement or understanding that such person has with any other person or entity other than the Corporation, including the amount of any payment or payments received or receivable thereunder, in each case in connection with candidacy or service as a director of the Corporation; (2) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these Bylaws, the text of the proposed amendment), the reasons for conducting such business and any material interest in such business of such shareholder and the beneficial owner, if any, on whose behalf the proposal is made; and (3) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is made:

- (i) the name and address of such shareholder (as they appear on the Corporation's books) and any such beneficial owner;
- (ii) for each class or series, the number of shares of capital stock of the Corporation that are held of record or are beneficially owned by such shareholder and by any such beneficial owner;
- (iii) a description of any agreement, arrangement or understanding between or among such shareholder and any such beneficial owner, any of their respective affiliates or associates, and any other person or persons (including their names) in connection with the proposal of such nomination or other business;
- (iv) a description of any agreement, arrangement or understanding (including, regardless of the form of settlement, any derivative, long or short positions, profit interests, forwards, futures, swaps, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions and borrowed or loaned shares) that has been entered into by or on behalf of, or any other agreement, arrangement or understanding that has been made, the effect or intent of which is to create or mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such shareholder or any such beneficial owner or any such nominee with respect to the Corporation's securities;
- (v) a representation that the shareholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to bring such nomination or other business before the meeting;
- (vi) a representation as to whether such shareholder or any such beneficial owner intends to be part of a group that intends to (a) deliver a proxy statement and/or form of proxy to holders of at least the percentage of the voting power of the Corporation's outstanding capital stock required to approve or adopt the proposal or to elect each such nominee and/or (b) otherwise to solicit proxies from shareholders in support of such proposal or nomination;
- (vii) any other information relating to such shareholder, beneficial owner, if any, or director nominee or proposed business that would be required to be disclosed in a proxy statement or other filing required to be made in connection with the solicitation of proxies in support of such nominee or proposal pursuant to Section 14 of the Exchange Act; and
- (viii) such other information relating to any proposed item of business as the Corporation may reasonably require to determine whether such proposed item of business is a proper matter for shareholder action.

ARTICLE II
BOARD OF DIRECTORS

Section 1. Powers and Election.

(a) Powers. The business and affairs of the Corporation shall be managed by the Board of Directors, and all powers of the Corporation, except as otherwise provided by law, by the Articles of Incorporation of the Corporation, or by these Bylaws, shall be exercised by the Board of Directors.

(b) Election. Directors shall be elected by the shareholders in accordance with Article SEVENTH of the Articles of Incorporation of the Corporation.

Section 2. Qualifications. Directors shall be natural persons but need not be residents of the State of North Carolina or shareholders in the Corporation. A director may also be a salaried officer or employee of the Corporation. No person shall be eligible to be elected a director of the Corporation for a period extending beyond the annual meeting of shareholders immediately following his or her attaining the age of 72 years. If any person elected as a director shall, within 30 days after notice of his or her election fail to accept such office, either in writing or by attending a meeting of the Board of Directors, the Board of Directors may declare his or her office vacant. The Board of Directors or a committee of the Board of Directors appointed pursuant to Article III of these Bylaws shall not nominate for election or reelection as a director any candidate who has not agreed to tender, promptly following the meeting at which he or she is elected or reelected as a director, an irrevocable resignation that will be effective upon (a) the failure of such director to receive the number of votes required for reelection at the next annual meeting of shareholders at which he or she stands for reelection, and (b) the acceptance of such director's resignation by the Board of Directors.

Section 3. Number and Term of Office. The number of directors of the Corporation, and the classes thereof, shall be determined in accordance with Article SEVENTH of the Articles of Incorporation of the Corporation.

Section 4. Resignations. Any director of the Corporation may resign at any time by giving written notice to the Board of Directors, to the Chairman, to the President, or to the Secretary of the Corporation. Such resignation shall take effect when it is communicated unless it specifies in writing a later effective date or subsequent event upon which it will become effective. In the event that a director fails to receive the number of votes required for reelection to the Board of Directors, the Nominating and Governance Committee of the Board of Directors will make a recommendation to the Board of Directors as to whether the Board of Directors should accept the director's resignation tendered pursuant to Section 2 of this Article II, reject such resignation or take such other action as the Committee may recommend. The Board of Directors will act on the Committee's recommendation and publicly disclose its decision and the rationale behind such decision within ninety (90) days after certification of the election results.

Section 5. Removal. Directors may be removed solely in accordance with Section (D) of Article SEVENTH of the Articles of Incorporation of the Corporation.

Section 6. Vacancies. Vacancies in the Board of Directors, whether occurring because of death, resignation, removal, increase in the number of directors, or because of some other reason, may be filled solely in accordance with Section (E) of Article SEVENTH of the Articles of Incorporation of the Corporation and this Section. The Board of Directors shall not fill a vacancy on the Board of Directors or a newly created directorship with any candidate who has not agreed to tender, promptly following his or her appointment to the Board of Directors, an irrevocable resignation that will be effective upon the occurrence of the events set forth in both of the following clauses (a) and (b): (a) the failure of such director to receive the number of votes required for reelection at the next annual meeting of shareholders at which he or she stands for reelection, and (b) the acceptance of such director's resignation by the Board of Directors.

Section 7. Place of Meeting. The meetings of the Board of Directors may be held at such place, within the State of North Carolina or elsewhere, as a majority of the directors may from time to time determine, or as may be designated in the notice calling the meeting.

Section 8. Regular Meetings. Regular meetings of the Board of Directors shall be held on such dates and at such times as shall be designated from time to time by resolution of the Board of Directors and at such geographic location as may be designated in the notice calling the meeting. At such meetings the directors shall transact such business as may properly be brought before the meeting.

Section 9. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors, by the President, or by a majority of the directors, and shall be held at such time and place as shall be designated in the notice for the meeting.

Section 10. Notice of Meetings; Adjournment. Notice, in accordance with the provisions of Article IV, Section 1 of these Bylaws, of each special meeting shall be given, by or at the direction of the person authorized to call such meeting, to each director, at least six hours prior to the commencement of the meeting. Notice of regular meetings need not be given. When a meeting is adjourned, it shall not be necessary to give any notice of the adjourned meeting, or of the business to be transacted at an adjourned meeting, other than by an announcement at the meeting at which such adjournment is taken.

Section 11. Quorum. A majority of the directors in office shall be necessary to constitute a quorum for the transaction of business, and the acts of a majority of the directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors.

Section 12. Organization. At every meeting of the Board of Directors, the Chairman of the Board of Directors, or in his or her absence, the director designated by the vote of the majority of the directors present at such meeting, shall preside, and the Secretary, or, in his or her absence, any person appointed by the Chairman or such other designated director, shall act as secretary.

Section 13. Action By Consent of Directors Without a Meeting. Any action required or permitted to be taken at a meeting of the Board of Directors or any Board committee may be taken without a meeting if, prior or subsequent to the action, a consent in writing setting forth the action so taken shall be signed by all of the directors or the members of the committee, as the case may be, and shall be filed with the Secretary of the Corporation. A consent may be given by any means permitted by the North Carolina Business Corporation Act.

Section 14. Participation in Board Meetings By Conference Telephone or Other Electronic Technology. One or more directors may participate in a meeting of the Board of Directors or of any Board committee by means of conference telephone or other electronic technology by means of which all persons participating in the meeting can hear each other, and all directors so participating shall be deemed present in person at the meeting.

Section 15. Compensation of Directors. Each director who is not a salaried officer or employee of the Corporation or its subsidiaries shall be compensated for his or her services as a member of the Board of Directors or any committee thereof in such manner as the Board of Directors by resolution shall from time to time provide. Directors shall also be reimbursed by the Corporation for all reasonable expenses incurred in traveling to and from the place of each meeting of the Board of Directors or any such committee.

ARTICLE III

Committees

Section 1. Executive Committee. The Board of Directors may, by resolution adopted by a majority of the whole Board, delegate the Chairman of the Board, and one or more additional directors to constitute an Executive Committee which, to the extent provided in such resolution, shall have and exercise the authority of the Board of Directors in the management of the business of the Corporation, except that such Executive Committee shall not have any power or authority as to the following: (i) the authorization or approval of distributions, except according to a formula or method, or within limits, prescribed by the Board of Directors; (ii) the approval of, or the proposal to shareholders of, any action requiring approval of shareholders under the North Carolina Business Corporation Act; (iii) the filling of vacancies in the Board of Directors or any of its committees; (iv) the amendment of the Articles of Incorporation of the Corporation; (v) the adoption, amendment or repeal of the Bylaws; (vi) the amendment or repeal of any resolution of the Board of Directors that by its terms is amendable or repealable only by the Board of Directors; (vii) the approval of a plan of merger not requiring shareholder approval; and (viii) action on matters committed by the Bylaws or resolution of the Board of Directors to another committee of the Board of Directors.

The Executive Committee shall keep regular minutes of its proceedings and report the same to the Board of Directors at each regular meeting.

Section 2. Other Committees. The Board of Directors may, at any time and from time to time, appoint one or more other committees, consisting of one or more directors, to perform such duties and make such investigations and reports as the Board of Directors shall by resolution determine, except that any such committee shall be subject to the same restrictions on power and authority as the Executive Committee set forth in Section 1 of this Article III. Such committees shall determine their own organization and times and places of meeting, unless otherwise directed by such resolution.

Section 3. Term. Each committee of the Board of Directors and the members thereof shall serve at the pleasure of the Board of Directors.

ARTICLE IV

Notice - Waiver

Section 1. Notice – What Constitutes. Whenever, under the provisions of the North Carolina Business Corporation Act or of the Articles of Incorporation of the Corporation or of these Bylaws or otherwise, written notice is required to be given to any person, it may be given to such person, either personally or by sending a copy thereof by either of the following methods:

- (i) by first class or express mail or courier service, charges prepaid to his or her postal address appearing on the books of the Corporation, or supplied by him or her to the Corporation for the purpose of notice. Notice pursuant to this clause (i) shall be deemed to have been given to the person entitled thereto when deposited in the United States mail or with the courier service for delivery to that person; or

Such notice shall specify the place, day, and hour of the meeting, and, in the case of a special meeting of shareholders, the general nature of the business to be transacted.

- (ii) by facsimile transmission, e-mail or other electronic communication to his or her facsimile number or address for e-mail or other electronic communications supplied by him or her to the Corporation for the purpose of notice. Notice pursuant to this clause (ii) shall be deemed given to the person entitled thereto when sent.

Section 2. Waiver in Writing. Whenever, under the provisions of the North Carolina Business Corporation Act or of the Articles of Incorporation of the Corporation or of these Bylaws or otherwise, any written notice is required to be given, a waiver thereof in writing, signed by the person or persons entitled to such notice and delivered to the Corporation for inclusion in the minutes or filing with the corporate records, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Except in the case of a special meeting of shareholders, neither the business to be transacted at nor the purpose of the meeting need be specified in the waiver of notice of such meeting.

Section 3. Waiver by Attendance. The presence of a person, either in person or by proxy, at any meeting shall constitute a waiver of notice of such meeting, except where a person attends a meeting for the express purposes of objecting, at the beginning of the meeting, to the transaction of any business because the meeting was not lawfully called or convened.

Section 4. Notice Not Required. The giving of notice required under these Bylaws is not required to be given to any shareholder with whom the Corporation has been unable to communicate for more than 24 consecutive months, if such communications to the shareholder are returned unclaimed or the shareholder has otherwise failed to provide the Corporation with a current address. Whenever the shareholder provides the Corporation with a current address, notice shall be given to that shareholder as required under these Bylaws.

Section 5. Bulk Mail. Notice of any regular or special meeting of the shareholders or any other notice required by the North Carolina Business Corporation Act, the Articles, or these Bylaws to be given to all shareholders or to all holders of a class or a series of shares, may be given by any class of post-paid mail if the notice is deposited in the United States mail at least 20 days prior to the day named for the meeting or any corporate or shareholder action specified in the notice.

ARTICLE V

Officers and Agents

Section 1. Officers. The officers of the Corporation may include a Chairman of the Board of Directors, a President, a Secretary, a Treasurer, and may include one or more Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, a Controller, and such other officers and assistant officers as the Board of Directors may from time to time determine.

Section 2. Qualifications. Any two or more offices may be held by the same person, provided that no person may act in more than one capacity where action of two or more officers is required. It shall not be necessary for the officers to be directors. The Board of Directors may secure the fidelity of any or all of the officers by bond or otherwise, as provided for by this Article V.

Section 3. Election and Term of Office. The officers of the Corporation shall be elected or appointed by the Board of Directors at its annual meeting, but the Board of Directors may elect or appoint officers or fill any vacancies among the officers at any other meeting. Subject to earlier termination of office as herein provided, each officer shall hold office for one year and until his or her successor shall have been duly elected or appointed and qualified.

Section 4. Resignations. Any officer may resign at any time by giving written notice to the Board of Directors, or to the Chairman, or to the President, or to the Secretary, of the Corporation. Any such resignation shall take effect when it is communicated unless it specifies in writing a later effective time.

Section 5. Removal of Officers. Any officer or agent of the Corporation may be removed with or without cause by the Board of Directors, the appointing officer or any other officer if authorized by these Bylaws or the Board of Directors, but such removal shall be without prejudice to the contract rights, if any, of the persons so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 6. Vacancies. The Board of Directors shall have the power to fill any vacancies in any office occurring for whatever reason.

Section 7. The Chairman of the Board of Directors. Unless otherwise determined by the Board of Directors, the Chairman of the Board of Directors shall be the chief executive officer of the Corporation and shall have general supervision over the business and operations of the Corporation, subject, however, to the control of the Board of Directors. The Chairman of the Board of Directors shall serve as Chairman of the Executive Committee, subject, however, to the control of the Board of Directors. He or she shall, if present, preside as Chairman at all meetings of the shareholders and of the directors. He or she shall be, ex officio, a member of all standing committees of the Board of Directors except the Audit, Compensation and Corporate Governance and Nominating Committees. The Chairman shall be authorized to sign, execute, and acknowledge, in the name of the Corporation, deeds, mortgages, bonds, contracts, and other instruments authorized by the Board of Directors, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation. He or she shall have such other powers and perform such further duties as may be assigned to him or her by the Board of Directors.

Section 8. The President. Unless the Board of Directors has determined that the President shall serve as the chief executive officer of the Corporation with general supervision over the business and operations of the Corporation (subject, however, to the control of the Board of Directors), the President shall be the chief operating officer of the Corporation and shall be authorized to sign, execute, and acknowledge, in the name of the Corporation, deeds, mortgages, bonds, contracts, and other instruments authorized by the Board of Directors, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation; and in general, he or she shall perform duties incident to the office of President, and such other duties as from time to time may be assigned to him or her by the Board of Directors or by the Chairman. If the President is serving as a director, then during the absence or disability of the Chairman of the Board, he or she shall preside at all meetings of the shareholders or the Board of Directors.

Section 9. The Vice Presidents. Each Vice President shall have such powers and shall perform such duties as may be assigned to him or her by the senior officers of the Corporation or by the Board of Directors. The Board of Directors may designate one or more Vice Presidents as Executive Vice Presidents or Senior Vice Presidents, or make such other designations of Vice Presidents as it may deem appropriate.

Section 10. The Secretary. The Secretary shall record all the votes of the shareholders and of the directors and the minutes of the meetings of the shareholders and of the Board of Directors in a book or books to be kept for that purpose; he or she shall see that notices of meetings of the Board of Directors and shareholders are given and that all records and reports are properly kept and filed by the Corporation as required by law; in general, he or she shall perform all duties incident to the office of Secretary, and such other duties as may from time to time be assigned to him or her by the Board of Directors, the Chairman or the President.

Section 11. Assistant Secretaries. In the absence or disability of the Secretary, any Assistant Secretary may perform all the duties of the Secretary, and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Secretary. The Assistant Secretaries shall perform such other duties as from time to time may be assigned to them respectively by the Board of Directors, the Chairman, the President or the Secretary.

Section 12. The Treasurer. The Treasurer shall perform all duties commonly incident to that office (including, but without limitation, the care and custody of the funds and securities of the Corporation which from time to time may

come into his or her hands and the deposit of the funds of the Corporation in such banks or trust companies as the Board of Directors may authorize or direct) and, in addition, such other duties as the Board of Directors from time to time may prescribe.

Section 13. Assistant Treasurers. In the absence or disability of the Treasurer, any Assistant Treasurer may perform all the duties of the Treasurer, and, when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. The Assistant Treasurers shall perform such other duties as from time to time may be assigned to them respectively by the Board of Directors, the Chairman, the President or the Treasurer.

Section 14. Compensation of Officers and Others. The compensation of all officers shall be fixed from time to time by the Board of Directors or a Committee thereof or by the Chairman. No officer shall be precluded from receiving such compensation by reason of the fact that he or she is also a director of the Corporation. Additional compensation, fixed as above provided, may be paid to any officers and/or employees for any year, based on the success of the operations of the Corporation during such year.

Section 15. Agents and Employees. The Chairman, the President or any officer or employee of the Corporation authorized by the Chairman or the President may appoint or employ such agents and employees as shall be requisite for the proper conduct of the business of the Corporation, and may fix their compensation and the terms of their employment.

ARTICLE VI

Borrowing, Deposits, Proxies, Etc.

Section 1. Borrowing, etc. No officer or officers, agent or agents, employee or employees of the Corporation shall have any power or authority to borrow money on its behalf, to pledge its credit, or to mortgage or pledge its real or personal property, except within the scope and to the extent of the authority delegated by resolution of the Board of Directors. Authority may be given by the Board of Directors for any of the above purposes and may be general or limited to specific instances.

Section 2. Deposits. All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks, trust companies, or other depositories, as the Board of Directors may approve or designate, and all such funds shall be withdrawn only upon the authority of such one or more officers or employees as the Board of Directors shall from time to time determine.

Section 3. Voting of Shares and Proxies. Subject always to the specific directions of the Board of Directors, any share or shares of stock issued by any other corporation and owned or controlled by the Corporation may be voted by any officer of the Corporation at any shareholders' meeting of such other corporation or by execution of a written consent to action. Unless otherwise ordered by the Board of Directors, any officer of the Corporation may appoint an attorney or attorneys (who may be or include such officer himself), in the name and on behalf of the Corporation, to cast the votes which the Corporation may be entitled to cast as a shareholder or otherwise in any other corporation any of whose shares or other securities are held by or for the Corporation, at meetings of the holders of the shares or other securities of such other corporation, or, in connection with the ownership of such shares or other securities, to consent in writing to any action by such other corporation, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed in the name and on behalf of the Corporation and under its seal such written proxies or other instruments as he or she may deem necessary or proper in the circumstances.

Section 4. Execution of Instruments. Except as otherwise authorized by the Board of Directors, any note, mortgage, evidence of indebtedness, contract, or other instrument of writing, or any assignment or endorsement thereof, executed or entered into between the Corporation and any other person, co-partnership, association or corporation, when signed by any one of the Chairman, the President, a Vice President, the Treasurer and the Secretary shall be held to have been properly executed for and on behalf of the Corporation.

ARTICLE VII

Corporate Records - Inspection

Section 1. Records to be Kept. The Corporation shall keep an original or duplicate record of the proceedings of the shareholders and of the directors, and a copy of these Bylaws, including all amendments or alterations thereto, to date, certified by the Secretary of the Corporation. It shall also keep at its registered office, its principal place of business wherever located, any actual place of business of the Corporation, or at the office of the Transfer Agent or Registrar of the Corporation, a share register giving the names of the shareholders, in alphabetical order, and showing their respective addresses, the number and classes of shares held by each. It shall also keep appropriate, complete, and accurate books and records of account, which may be kept at its registered office or at its principal place of business. Any books, minutes or other records may be in written form or any other form capable of being converted into written form within a reasonable time.

Section 2. Inspection. Every shareholder shall, upon written verified demand stating the purpose thereof, have a right to examine, in person or by agent or attorney, at any reasonable time or times, for any proper purpose, the share register, books and records of account, and records of the proceedings of the shareholders and directors, and to make copies or make extracts therefrom.

ARTICLE VIII

Share Certificates, Transfer

Section 1. Share Certificates. Unless otherwise determined by the Board of Directors, the shares of the Corporation shall be represented by share certificates. Share certificates shall contain the matters required by law, and shall be signed by any two or more of the Chairman of the Board, the President, a Vice President, the Treasurer and the Secretary. Where such certificate is signed by a Transfer Agent or a Registrar, the signature of any corporate officer upon such certificate, and the corporate seal if one is affixed, may be a facsimile, engraved or printed. In case any officer who has signed, or whose facsimile signature has been placed upon, any share certificate shall have ceased to be such officer because of death, resignation, or otherwise, before the certificate is issued, it may be issued by the Corporation with the same effect as if the officer had not ceased to be such at the date of its issue. Every shareholder of record shall be entitled to a share certificate representing the shares owned by him or her, but a share certificate shall not be issued by the Corporation to any shareholder until the shares represented thereby have been fully paid. The Board of Directors may determine that any or all classes and series of shares, or any part thereof, shall be uncertificated shares, in which case the Corporation shall send to the registered owner thereof a written notice containing such information as is required by law.

Section 2. Transfer of Shares. Transfers of share certificates and the shares represented thereby shall be made only on the books of the Corporation by the owner thereof, or by his or her attorney thereunto authorized, by a power of attorney duly executed and filed with the Secretary or a Transfer Agent of the Corporation, and on surrender of the share certificate or certificates. In the case of uncertificated shares, the transfer of shares shall be made upon receipt of such documentation as the Corporation may require.

Section 3. Transfer Agent and Registrar; Regulations. The Corporation may, if and whenever the Board of Directors may so determine, maintain in the State of North Carolina or any other state, or in both, one or more transfer offices or agencies, each in charge of a Transfer Agent or Agents designated by the Board of Directors, where the shares of the Corporation shall be directly transferable, and also one or more registry offices, each in charge of a Registrar or Registrars designated by the Board of Directors, where such shares shall be so registered, and no certificates for shares of the Corporation in respect of which a Transfer Agent and Registrar shall have been designated shall be valid unless countersigned by such Transfer Agent and registered by such Registrar. The Board of Directors may also make such additional rules and regulations as it may deem expedient concerning the issue, transfer, and registration of share certificates of the Corporation.

Section 4. Lost, Destroyed, and Mutilated Certificates. The holder of any share certificate of the Corporation shall immediately notify the Corporation of any loss, destruction, or mutilation thereof, and the Board of Directors may, in its discretion, by either special or standing resolution, provide for and cause the issuance to him or her of a new share certificate or certificates, in the case of mutilation upon surrender of the mutilated certificate, or, in case

of loss or destruction of the certificate, upon such proof of loss or destruction and such reasonable notice by publication and/or the deposit of a bond in such form and in such sum and with such surety or sureties, as in such resolution the Board of Directors may direct.

ARTICLE IX

Amendments to Bylaws

These Bylaws may be amended, altered, or repealed, or new Bylaws may be adopted, solely pursuant to Article TWELFTH of the Articles of Incorporation of the Corporation.

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

I, Scott H. Baxter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kontoor Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 20, 2019

/s/ Scott H. Baxter

Scott H. Baxter

Chairman, President and Chief Executive Officer

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

I, Rustin Welton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kontoor Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 20, 2019

/s/ Rustin Welton

Rustin Welton

Vice President and Chief Financial Officer

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

In connection with the Quarterly Report of Kontoor Brands, Inc. (the "Company") on Form 10-Q for the period ending March 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott H. Baxter, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934;
and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

June 20, 2019

/s/ Scott H. Baxter

Scott H. Baxter

Chairman, President and Chief Executive Officer

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

In connection with the Quarterly Report of Kontoor Brands, Inc. (the "Company") on Form 10-Q for the period ending March 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Rustin Welton, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934;
and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

June 20, 2019

/s/ Rustin Welton

Rustin Welton

Vice President and Chief Financial Officer