

HELEN OF TROY LTD  
Form 10-Q  
January 06, 2012

**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 November 30, 2011**

**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: 001-14669**

**HELEN OF TROY LIMITED**

(Exact name of registrant as specified in its charter)

**Bermuda**  
(State or other jurisdiction of  
incorporation or organization)

**74-2692550**  
(I.R.S. Employer  
Identification No.)

**Clarendon House**

**Church Street**

**Hamilton, Bermuda**  
(Address of principal executive offices)

**1 Helen of Troy Plaza**  
**El Paso, Texas**  
(Registrant's United States Mailing Address)

**79912**  
(Zip Code)

**(915) 225-8000**

(Registrant's telephone number, including area code)

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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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer  Accelerated filer

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Outstanding at December 30, 2011</u>
Common Shares, \$0.10 par value, per share	31,611,090 shares

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**HELEN OF TROY LIMITED AND SUBSIDIARIES**

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**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****HELEN OF TROY LIMITED AND SUBSIDIARIES****Consolidated Condensed Balance Sheets (unaudited)***(in thousands, except shares and par value)*

	November 30, 2011		February 28, 2011
<b>Assets</b>			
Asset, current:			
Cash and cash equivalents	\$ 35,419	\$	27,193
Investments, at market value	-		1,233
Receivables - principally trade, less allowances of \$5,414 and \$4,148	229,221		188,404
Inventory, net	251,760		217,230
Prepaid expenses and other assets, current	6,358		5,149
Income taxes receivable	2,865		2,399
Deferred tax assets, net	14,760		18,843
Total assets, current	540,383		460,451
Property and equipment, net of accumulated depreciation of \$71,342 and \$65,428	86,713		82,487
Goodwill	367,409		356,242
Other intangible assets, net of accumulated amortization of \$48,645 and \$36,083	291,308		304,705
Deferred tax assets, net	981		-
Other assets, net of accumulated amortization of \$3,580 and \$4,096	14,185		36,639
Total assets	\$ 1,300,979	\$	1,240,524
<b>Liabilities and Stockholders Equity</b>			
Liabilities, current:			
Revolving line of credit	\$ 70,000	\$	71,000
Accounts payable, principally trade	96,648		73,321
Accrued expenses and other current liabilities	140,077		141,620
Deferred tax liabilities, net	1,360		-
Long-term debt, current maturities	3,000		53,000
Total liabilities, current	311,085		338,941
Deferred compensation liability	3,840		4,712
Other liabilities, noncurrent	1,674		1,594
Deferred tax liabilities, net	27,222		23,216
Long-term debt, excluding current maturities	175,000		178,000
Liability for uncertain tax positions	12,246		2,481
Derivative liabilities, noncurrent	5,707		6,031
Total liabilities	536,774		554,975
Commitments and contingencies			

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Stockholders' equity:

Cumulative preferred stock, non-voting, \$1.00 par. Authorized 2,000,000 shares; none issued	-	-
Common stock, \$0.10 par. Authorized 50,000,000 shares; 31,605,993 and 30,838,860 shares issued and outstanding	<b>3,161</b>	3,084
Additional paid in capital	<b>147,543</b>	130,015
Accumulated other comprehensive loss	<b>(5,787)</b>	(7,850)
Retained earnings	<b>619,288</b>	560,300
Total stockholders' equity	<b>764,205</b>	685,549
Total liabilities and stockholders' equity	<b>\$ 1,300,979</b>	<b>\$ 1,240,524</b>

*See accompanying notes to consolidated condensed financial statements.*

**HELEN OF TROY LIMITED AND SUBSIDIARIES****Consolidated Condensed Statements of Income (unaudited)***(in thousands, except per share data)*

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2011	2010	2011	2010
Sales revenue, net	\$ 338,785	\$ 205,001	\$ 887,672	\$ 539,977
Cost of goods sold	205,603	112,256	532,295	294,529
Gross profit	133,182	92,745	355,377	245,448
Selling, general, and administrative expense	91,354	61,205	252,546	163,020
Operating income before impairments	41,828	31,540	102,831	82,428
Asset impairment charges	-	-	-	501
Operating income	41,828	31,540	102,831	81,927
Nonoperating income (expense), net	190	156	(325)	490
Interest expense	(2,958)	(2,081)	(9,652)	(6,377)
Income before income taxes	39,060	29,615	92,854	76,040
Income tax expense (benefit):				
Current	4,222	2,191	6,656	7,365
Deferred	1,959	361	5,121	(248)
Net income	\$ 32,879	\$ 27,063	\$ 81,077	\$ 68,923
Earnings per share:				
Basic	\$ 1.04	\$ 0.88	\$ 2.59	\$ 2.25
Diluted	\$ 1.04	\$ 0.86	\$ 2.56	\$ 2.20
Weighted average shares of common stock used in computing net earnings per share:				
Basic	31,592	30,644	31,246	30,640
Diluted	31,666	31,297	31,685	31,293

*See accompanying notes to consolidated condensed financial statements.*

**HELEN OF TROY LIMITED AND SUBSIDIARIES****Consolidated Condensed Statements of Cash Flows (unaudited)***(in thousands)*

	<b>Nine Months Ended November 30,</b>	
	<b>2011</b>	<b>2010</b>
Net cash provided by operating activities:		
Net income	\$ 81,077	\$ 68,923
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	21,066	12,415
Provision for doubtful receivables	605	69
Share-based compensation	2,231	1,547
Intangible asset impairment charges	-	501
(Gain) loss on the sale of property and equipment	(95)	50
Realized loss on investments	697	-
Deferred income taxes and tax credits	5,041	(324)
Changes in operating assets and liabilities, net of effects of acquisition of businesses:		
Receivables	(41,363)	(34,172)
Inventories	(34,530)	(23,404)
Prepaid expenses and other assets	(1,071)	(1,460)
Other assets and liabilities, net	128	(765)
Accounts payable	23,327	(901)
Accrued expenses and other current liabilities	(1,488)	13,214
Accrued income taxes	548	(2,094)
Net cash provided by operating activities	56,173	33,599
Net cash provided (used) by investing activities:		
Capital and other intangible expenditures	(11,238)	(3,032)
Proceeds from the sale of property and equipment	1,534	63
Proceeds from sale of investments	22,421	300
Payments to acquire businesses	-	(69,000)
Net cash provided (used) by investing activities	12,717	(71,669)
Net cash used by financing activities:		
Proceeds from line of credit	809,450	-
Repayment of line of credit	(810,450)	-
Repayment of long-term debt	(53,000)	(3,000)
Payments of financing costs	(25)	-
Proceeds from exercise of stock options and employee stock purchases, including tax benefits	5,907	3,284
Payments for repurchases of common stock	-	(1,799)
Payment of tax obligations resulting from cashless option exercise	(12,546)	-
Net cash used by financing activities	(60,664)	(1,515)
Net increase (decrease) in cash and cash equivalents	8,226	(39,585)
Cash and cash equivalents, beginning balance	27,193	110,208
Cash and cash equivalents, ending balance	\$ 35,419	\$ 70,623
Supplemental cash flow information:		
Interest paid	\$ 8,745	\$ 6,208
Income taxes paid, net of refunds	\$ 1,779	\$ 9,389
Value of common stock received as exercise price of options	\$ 25,822	\$ -
Transfer of auction rate securities from non-current assets to investments	\$ 18,950	\$ -

*See accompanying notes to consolidated condensed financial statements.*



## **HELEN OF TROY LIMITED AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (unaudited)**

**November 30, 2011**

#### ***Note 1 - Basis of Presentation and Conventions Used in this Report***

In our opinion, the accompanying consolidated condensed financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly our consolidated financial position as of November 30, 2011 and February 28, 2011, and the results of our consolidated operations for the three- and nine-month periods ended November 30, 2011 and 2010. The same accounting policies are followed in preparing quarterly financial data as are followed in preparing annual data. These statements should be read in conjunction with the consolidated financial statements and the notes included in our latest annual report on Form 10-K for the fiscal year ended February 28, 2011, and our other reports on file with the Securities and Exchange Commission ( SEC ).

In this report and the accompanying consolidated condensed financial statements and notes, unless the context suggests otherwise or otherwise indicated, references to the Company, our Company, Helen of Troy, we, us, or our refer to Helen of Troy Limited and its subsidiaries, and amounts are expressed in thousands of U.S. Dollars. References to Kaz refer to the operations of Kaz, Inc. and its subsidiaries, which we acquired in a merger on December 31, 2010. Kaz is its own segment within the Company referred to as the Healthcare / Home Environment segment. References to OXO refer to the operations of OXO International and certain affiliated subsidiaries that comprise the Housewares segment of the Company's business. Product and service names mentioned in this report are used for identification purposes only and may be protected by trademarks, trade names, services marks, and/or other intellectual property rights of the Company and/or other parties in the United States and/or other jurisdictions. The absence of a specific attribution in connection with any such mark does not constitute a waiver of any such right. All trademarks, trade names, service marks and logos referenced herein belong to their respective owners. We refer to the Company's common shares, par value \$0.10 per share, as common stock. References to the FASB refer to the Financial Accounting Standards Board. References to GAAP refer to U.S. generally accepted accounting principles. References to ASC refer to the codification of U.S. GAAP in the Accounting Standards Codification issued by the FASB.

#### ***Note 2 - New Accounting Pronouncements***

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company's management believes that the impact of recently issued standards that are not yet effective, some of which may impact presentation in the financial statements and/or accompanying footnotes, will not have a material impact on its consolidated financial position, results of operations and cash flows upon adoption.

#### ***Note 3 - Litigation***

We are involved in various legal claims and proceedings in the normal course of operations. We believe the outcome of these matters will not have a material adverse effect on our consolidated financial position, results of operations or liquidity.

**Note 4** *Earnings per Share*

Basic earnings per share is computed based upon the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed based upon the weighted average number of shares of common stock outstanding during the period plus the effect of dilutive securities. Our dilutive securities consist entirely of outstanding options for common stock that were in-the-money, meaning that the exercise price of the options was less than the average market price of our common stock during the period reported.

Out-of-the-money options are outstanding options to purchase common stock that were excluded from the computation of earnings per share because the exercise price of the options was greater than the average market price of our common stock during the period reported. Thus, their effect would be antidilutive.

The effect of dilutive securities was approximately 74,600 and 439,100 shares of common stock for the three- and nine-month periods ended November 30, 2011, respectively, and 652,600 and 653,900 shares of common stock for the three- and nine-month periods ended November 30, 2010, respectively. Options to purchase common stock that were antidilutive totaled approximately 490,300 and 420,700 shares for the three- and nine-month periods ended November 30, 2011, respectively, and 527,700 and 620,500 shares for the three- and nine-month periods ended November 30, 2010, respectively.

## Note 5 *Comprehensive Income*

The components of comprehensive income, net of tax, for each of the periods covered by this report are as follows:

### COMPONENTS OF COMPREHENSIVE INCOME

(in thousands)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2011	2010	2011	2010
Net income	\$ 32,879	\$ 27,063	\$ 81,077	\$ 68,923
Other comprehensive income (loss), net of tax:				
Cash flow hedges - interest rate swaps, net of tax (1)	721	860	388	118
Cash flow hedges - foreign currency, net of tax (2)	477	(412)	791	17
Unrealized gain (loss) - auction rate securities, net of tax (3)	-	(4)	884	(7)
Comprehensive income, net of tax	\$ 34,077	\$ 27,507	\$ 83,140	\$ 69,051

The components of accumulated other comprehensive loss, net of tax, for the periods covered by our consolidated condensed balance sheets are as follows:

### COMPONENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS

(in thousands)

	November 30, 2011	February 28, 2011
Unrealized holding losses on cash flow hedges - interest rate swaps, net of tax (1)	\$ (5,964)	\$ (6,352)
Unrealized holding gains (losses) on cash flow hedges - foreign currency, net of tax (2)	177	(614)
Temporary impairment loss on auction rate securities, net of tax (3)	-	(884)
Total accumulated other comprehensive loss	\$ (5,787)	\$ (7,850)

(1) The change in unrealized loss on interest rate swap cash flow hedges is recorded net of tax (expense) of (\$0.39) and (\$0.06) million for the three- and nine-month periods ended November 30, 2011, respectively, and (\$0.44) and (\$0.06) million for the three- and nine-month periods ended November 30, 2010, respectively. The unrealized holding loss on interest rate swap cash flow hedges included in accumulated other comprehensive loss includes net deferred tax benefits of \$3.21 and \$3.27 million at November 30, 2011 and February 28, 2011,

respectively.

(2) The change in unrealized gain (loss) on foreign currency cash flow hedges is recorded net of tax benefit (expense) of (\$0.24) and (\$0.38) million for the three- and nine-month periods ended November 30, 2011, respectively, and \$0.21 and (\$0.02) million for the three- and nine-month periods ended November 30, 2010, respectively. The unrealized holding gain (loss) on foreign currency cash flow hedges included in accumulated other comprehensive loss, includes net deferred tax benefit (expense) of (\$0.08) and \$0.30 million at November 30, 2011 and February 28, 2011, respectively.

(3) The change in temporary impairment loss on auction rate securities is recorded net of tax benefit (expense) of \$0.00 and (\$0.46) million for the three- and nine-month periods ended November 30, 2011, respectively, and \$0.00 million for both the three- and nine-month periods ended November 30, 2010, respectively. The temporary impairment loss on auction rate securities included in accumulated other comprehensive loss, includes net deferred tax benefits of \$0.00 and \$0.46 million at November 30, 2011 and February 28, 2011, respectively.

**Note 6 Segment Information**

In the tables that follow, we present three segments: Personal Care, Housewares and Healthcare / Home Environment. Our Personal Care segment's products include electric hair care, beauty care and wellness appliances; grooming tools and accessories; and liquid, solid- and powder-based personal care and grooming products. Our Housewares segment reports the operations of the OXO family of brands, which provide a broad range of innovative consumer products for the home. Product offerings include food preparation and storage, cleaning, organization, and baby and toddler care products. The Healthcare / Home Environment segment reports the operations of Kaz, which we acquired on December 31, 2010, as further discussed in Note 9 to these consolidated condensed financial statements. This segment focuses on health care devices such as thermometers, humidifiers and heating pads, and small domestic appliances such as air purifiers, portable heaters, fans, and bug zappers.

All three segments sell their products primarily through mass merchandisers, drugstore chains, warehouse clubs, catalogs, grocery stores, and specialty stores. In addition, the Personal Care segment sells extensively through beauty supply retailers and wholesalers and the Healthcare / Home Environment segment sells certain of its product lines through medical distributors and other products through home improvement stores. We use third-party manufacturers to produce our goods.

The following tables contain segment information for the periods covered by our consolidated condensed statements of income:

**THREE MONTHS ENDED NOVEMBER 30, 2011 AND 2010***(in thousands)*

November 30, 2011	Personal Care	Housewares	Healthcare / Home Environment	Total
Sales revenue, net	\$ 148,984	\$ 61,223	\$ 128,578	\$ 338,785
Operating income	17,292	11,016	13,520	41,828
Capital, license, trademark and other intangible expenditures	1,876	521	1,862	4,259
Depreciation and amortization	2,640	1,765	2,970	7,375

November 30, 2010	Personal Care	Housewares	Healthcare / Home Environment	Total
Sales revenue, net	\$ 146,506	\$ 58,495	\$ -	\$ 205,001
Operating income	18,816	12,724	-	31,540
Capital, license, trademark and other intangible expenditures	299	734	-	1,033
Depreciation and amortization	2,674	1,435	-	4,109

**NINE MONTHS ENDED NOVEMBER 30, 2011 AND 2010***(in thousands)*

November 30, 2011	Personal Care	Housewares	Healthcare / Home Environment	Total
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Sales revenue, net	\$	386,998	\$	178,017	\$	322,657	\$	887,672
Operating income		48,299		33,854		20,678		102,831
Capital, license, trademark and other intangible expenditures		6,509		1,486		3,243		11,238
Depreciation and amortization		7,883		4,604		8,579		21,066

November 30, 2010		Personal Care		Housewares		Healthcare / Home Environment		Total
Sales revenue, net	\$	377,853	\$	162,124	\$	-	\$	539,977
Operating income before impairment		47,142		35,286		-		82,428
Asset impairment charges		501		-		-		501
Operating income		46,641		35,286		-		81,927
Capital, license, trademark and other intangible expenditures		1,220		1,812		-		3,032
Depreciation and amortization		7,904		4,511		-		12,415

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We compute operating income for each segment based on net sales revenue, less cost of goods sold, selling, general and administrative expense ( SG&A ) and any impairment charges associated with the segment. The SG&A used to compute each segment's operating income is comprised of SG&A directly associated with the segment, plus overhead expenses that are allocable to the segment. We make allocations of overhead between operating segments using a number of relevant allocation criteria, depending on the nature of the expense, the most significant of which are relative revenues, estimates of relative labor expenditures, headcount, and facilities square footage. Beginning in fiscal 2012, we began making an allocation of corporate overhead to the Healthcare / Home Environment segment. For the three- and nine-month periods ended November 30, 2011, these allocations totaled \$1.51 and \$4.52 million, respectively. As we continue to integrate the operations of the Healthcare / Home Environment segment, we expect to allocate the costs of certain operating functions that will likely be shared between segments. As we decide such operating cost allocations are appropriate, there may be additional reductions in the operating results of the Healthcare / Home Environment segment offset by increases in operating income of the Personal Care and Housewares segments. The extent of this operating income impact between the segments has not yet been determined. We do not allocate other items of income and expense, including income taxes to operating segments.

The following tables contain identifiable assets allocable to each segment for the periods covered by our consolidated condensed balance sheets:

### IDENTIFIABLE ASSETS AT NOVEMBER 30, 2011 AND FEBRUARY 28, 2011

(in thousands)

	Personal Care	Housewares	Healthcare / Home Environment	Total
November 30, 2011	\$ 501,250	\$ 372,176	\$ 427,553	\$ 1,300,979
February 28, 2011	474,344	363,128	403,052	1,240,524

### Note 7 Property and Equipment

A summary of property and equipment is as follows:

### PROPERTY AND EQUIPMENT

(in thousands)

	Estimated Useful Lives (Years)	November 30, 2011	February 28, 2011
Land	-	\$ 9,073	\$ 9,073
Building and improvements	3 - 40	66,237	65,605
Computer and other equipment	3 - 10	48,303	47,171
Tools, dies and molds	1 - 3	17,705	13,080
Transportation equipment	3 - 5	118	118
Furniture and fixtures	5 - 15	8,809	8,668
Construction in progress	-	7,810	4,200
Property and equipment, gross		158,055	147,915
Less accumulated depreciation		(71,342)	(65,428)

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Property and equipment, net	\$	<b>86,713</b>	\$	82,487
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Depreciation expense was \$2.23 and \$6.45 million for the three- and nine-month periods ended November 30, 2011, respectively, and \$1.97 and \$6.07 million for the three- and nine-month periods ended November 30, 2010, respectively.

We lease certain facilities, equipment and vehicles under operating leases, which expire at various dates through fiscal 2019. Certain leases contain escalation clauses and renewal or purchase options. Rent expense related to our operating leases was \$1.41 and \$4.22 million for the three- and nine-month periods ended November 30, 2011, respectively, and \$0.60 and \$1.62 million for the three- and nine-month periods ended November 30, 2010, respectively.



**Note 8 Intangible Assets**

**Annual Impairment Testing in the First Quarter of Fiscal 2012** - The Company performed its annual evaluation of goodwill and indefinite-lived intangible assets for impairment during the first quarter of fiscal 2012. As a result of its testing, the Company concluded no impairment charges were required as the estimated fair value of the indefinite-lived trademarks and licenses, reporting unit net assets and the Company's estimated enterprise value exceeded their respective carrying values as of the date of the evaluation.

**Annual Impairment Testing in the First Quarter of Fiscal 2011** - The Company performed its annual evaluation of goodwill and indefinite-lived intangible assets for impairment during the first quarter of fiscal 2011. As a result of its testing, the Company recorded a non-cash impairment charge of \$0.50 million (\$0.49 million after tax). The charge was related to an indefinite-lived trademark in our Personal Care segment that was written down to its fair value, determined on the basis of future discounted cash flows using the relief from royalty method.

A summary of the carrying amounts and associated accumulated amortization for all intangible assets by operating segment is as follows:

**GOODWILL AND INTANGIBLE ASSETS**

(in thousands)

Description	November 30, 2011				February 28, 2011			
	Gross Carrying Amount	Cumulative Goodwill Impairments	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Cumulative Goodwill Impairments	Accumulated Amortization	Net Book Value
Personal Care:								
Goodwill	\$ 81,841	\$ (46,490)	\$ -	\$ 35,351	\$ 81,901	\$ (46,490)	\$ -	\$ 35,411
Trademarks - indefinite	75,303	-	-	75,303	75,303	-	-	75,303
Trademarks - finite	150	-	(66)	84	150	-	(62)	88
Licenses - indefinite	10,300	-	-	10,300	10,300	-	-	10,300
Licenses - finite	19,564	-	(15,838)	3,726	19,564	-	(15,450)	4,114
Other intangibles - finite	49,437	-	(13,521)	35,916	49,401	-	(9,048)	40,353
Total Personal Care	236,595	(46,490)	(29,425)	160,680	236,619	(46,490)	(24,560)	165,569
Housewares:								
Goodwill	166,131	-	-	166,131	166,131	-	-	166,131
Trademarks - indefinite	75,200	-	-	75,200	75,200	-	-	75,200
Other intangibles - finite	18,149	-	(10,231)	7,918	19,320	-	(9,893)	9,427
Total Housewares	259,480	-	(10,231)	249,249	260,651	-	(9,893)	250,758
Healthcare / Home Environment:								
Goodwill	165,927	-	-	165,927	154,700	-	-	154,700
Other Intangibles - finite	91,850	-	(8,989)	82,861	91,550	-	(1,630)	89,920
Total Healthcare / Home Environment	257,777	-	(8,989)	248,788	246,250	-	(1,630)	244,620
Total	\$ 753,852	\$ (46,490)	\$ (48,645)	\$ 658,717	\$ 743,520	\$ (46,490)	\$ (36,083)	\$ 660,947

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During the fiscal quarter ended November 30, 2011, the Company recorded a \$11.20 million net increase to goodwill related to certain Kaz pre-acquisition tax positions.

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The following table summarizes the amortization expense attributable to intangible assets for the three- and nine- month periods ended November 30, 2011 and 2010, as well as our estimated amortization expense for the fiscal years ending the last day of each February 2012 through 2017.

## AMORTIZATION OF INTANGIBLE ASSETS

*(in thousands)*

### Aggregate Amortization Expense For the three months ended

November 30, 2011	\$	4,952
November 30, 2010	\$	2,086

### Aggregate Amortization Expense For the nine months ended

November 30, 2011	\$	14,001
November 30, 2010	\$	6,177

### Estimated Amortization Expense For the fiscal years ended

February 2012	\$	18,443
February 2013	\$	18,035
February 2014	\$	17,424
February 2015	\$	16,889
February 2016	\$	16,667
February 2017	\$	16,107

## NOTE 9 - Acquisitions

**Kaz, Inc. Acquisition** On December 31, 2010, we completed the merger of Kaz under the terms of an Agreement and Plan of Merger dated December 8, 2010, among us, Helen of Troy Texas Corporation, our wholly-owned subsidiary, KI Acquisition Corp., our indirect wholly-owned subsidiary, Kaz, and certain shareholders of Kaz. Pursuant to the terms of the merger agreement, all of the shares of capital stock of Kaz were cancelled and converted into a total cash purchase price of \$271.50 million, subject to certain future adjustments. The acquisition was funded with \$77.50 million of cash and \$194.00 million in short- and long-term debt. Based in Southborough, Massachusetts, Kaz is a world leader in providing a broad range of consumer products in two primary product categories consisting of healthcare and home environment. Kaz sources, markets and distributes a number of well-recognized brands including: Vicks, Braun, Kaz, Smart-Temp, SoftHeat, Honeywell, Duracraft, Protec, Stinger, and Nosquito. The acquisition helps broaden the Company's geographic footprint, increase our mutual significance with common customers and vendors, and expand our customer base worldwide.

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The following schedule presents the identifiable assets and liabilities acquired, assumed or recognized at the acquisition date at their fair values. These balances are provisional and may be subject to additional adjustment.

### KAZ - NET ASSETS RECORDED UPON ACQUISITION AT DECEMBER 31, 2010

*(in thousands)*

<b>Assets:</b>		
Cash	\$	4,258
Receivables		70,792
Inventory		62,415
Prepaid expenses and other current assets		2,197
Property and equipment		4,083
Goodwill		154,700
Other intangible assets - finite		91,550
Deferred tax assets		12,376
Other assets		3,098
Subtotal - assets		405,469
<b>Liabilities:</b>		
Accounts payable		41,371
Accrued expenses		64,118
Income taxes payable		1,496
Deferred tax liabilities		24,303
Liabilities for uncertain tax positions		1,453
Deferred compensation		1,230
Subtotal - liabilities		133,971
Net assets recorded	\$	271,498

The fair values of the intangible assets acquired were estimated by applying income and market approaches. These fair value measurements were based on significant inputs that are not observable in the market and, therefore, represent Level 3 measurements. Key assumptions included various discount rates based upon a 10.25 percent weighted average cost of capital, royalty rates ranging from 2.00 to 3.50 percent used in the determination of patent values and customer attrition rates of 10.00 percent per year used in the determination of customer list values.

Gross receivables of \$77.49 million have been recorded in the transaction. We estimated that \$6.70 million of gross receivables would not be collected and recorded the acquired receivables at their estimated fair value of \$70.79 million. Since these receivables were recorded at a fair value which contemplated their ultimate collectability, no additional allowances for collectability needed to be recorded against acquired receivables while they remained on our balance sheets. As of November 30, 2011, allowances totaling \$1.38 million have been established against Kaz's post-acquisition trade receivables. These allowances are included in the \$5.41 million of receivables allowance set forth in the accompanying consolidated balance sheet at November 30, 2011.

The goodwill of \$154.70 million provisionally recorded with the acquisition consisted largely of the synergies and economies of scale expected from combining the operations of the Company and Kaz. All of the goodwill was assigned to the Company's Healthcare / Home Environment segment. None of the goodwill recognized is expected to be deductible for income tax purposes.

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***Pert Plus and Sure Acquisition*** - On March 31, 2010, we completed the acquisition of certain assets and liabilities of the Pert Plus hair care and Sure antiperspirant and deodorant businesses from Innovative Brands, LLC for a net purchase price of \$69.00 million, which we paid with cash on hand. Net assets acquired consist principally of accounts receivable, finished goods inventories, prepaid expenses, goodwill, patents, trademarks, tradenames, product design specifications, production know-how, certain fixed assets, distribution rights and customer lists, less certain product related operating accruals and other current liabilities. We market Pert Plus and Sure products primarily into retail trade channels.

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The following schedule presents the acquisition date fair value of the net assets of Pert Plus and Sure:

### **PERT PLUS AND SURE - NET ASSETS ACQUIRED ON MARCH 31, 2010**

*(in thousands)*

Receivables	\$	8,589
Inventory		4,887
Prepaid expenses		392
Tools, dies and molds		730
Goodwill		15,845
Trademarks		23,650
Patent rights		2,600
Customer list		21,275
Total assets acquired		77,968
Less: Accounts payable and other current liabilities assumed or recorded at acquisition		(8,968)
Net assets acquired	\$	69,000

The fair values of the intangible assets acquired were estimated by applying income and market approaches. These fair value measurements were based on significant inputs that are not observable in the market and, therefore, represent Level 3 measurements. Key assumptions included various discount rates based upon a 15.80 percent weighted average cost of capital, royalty rates of 5.00 percent used in the determination of trademark values and customer attrition rates of 11.50 percent per year used in the determination of customer list values.

#### **Note 10 Short-Term Debt**

We have a Credit Agreement (the 2010 RCA) with Bank of America, N.A. that provided for an unsecured total revolving commitment of up to \$150.00 million as of November 30, 2011, subject to certain terms and limitations as described below. The commitment under the 2010 RCA terminates on December 30, 2015. Borrowings under the 2010 RCA accrue interest at a Base Rate plus a margin of 0.25 to 1.375 percent per annum based on the Leverage Ratio (as defined in the 2010 RCA) at the time of borrowing. The base rate is equal to the highest of the Federal Funds Rate (as defined in the 2010 RCA) plus 0.50 percent, Bank of America's prime rate or the one month LIBOR rate plus 1.00 percent. Alternatively, if we elect, borrowings accrue interest based on the respective 1-, 2-, 3-, or 6-month LIBOR rate plus a margin of 1.25 to 2.375 percent per annum based upon the Leverage Ratio at the time of the borrowing. We incur loan commitment fees at a rate ranging from 0.30 to 0.50 percent per annum on the unused balance of the 2010 RCA. We incur letter of credit fees under the 2010 RCA at a rate ranging from 1.25 to 2.375 percent per annum on the face value of any letter of credit. Outstanding letters of credit reduce the borrowing availability under the 2010 RCA on a dollar-for-dollar basis. The 2010 RCA and our other debt are unconditionally guaranteed, on a joint and several basis, by the Company and certain of its subsidiaries. As of November 30, 2011, there were \$70.00 million in revolving loans and \$0.34 million of open letters of credit outstanding against the 2010 RCA. For the three- and nine-months ended November 30, 2011, borrowings under the 2010 RCA incurred interest charges at rates ranging from 1.94 to 4.00 percent. As of November 30, 2011, the amount available for borrowings under the 2010 RCA was \$79.66 million.

The 2010 RCA and our other debt agreements require the maintenance of maximum debt leverage and minimum interest coverage ratios, specify minimum consolidated net worth levels and contain other customary covenants, which restrict us from incurring liens on any of our properties, except under certain conditions, and limit our ability to pay dividends and repurchase shares of our common stock, among other things. As of November 30, 2011, all our debt agreements effectively limited our ability to incur more than an estimated \$250.43 million of additional debt from all sources, including draws on the 2010 RCA and we were in compliance with the terms of the 2010 RCA and our other debt agreements.

On December 15, 2011, we amended the 2010 RCA to increase the amount of borrowings available under the revolving commitment from \$150.00 million to \$250.00 million. See Note 18 for further information related to this amendment to the 2010 RCA.

**Note 11 Accrued Expenses and Current Liabilities**

A summary of accrued expenses and other current liabilities is as follows:

**ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

(in thousands)

	November 30, 2011	February 28, 2011
Accrued sales returns, discounts and allowances	\$ 35,380	\$ 32,136
Accrued warranty returns	24,199	24,021
Accrued compensation	19,483	24,379
Accrued advertising	10,166	10,159
Accrued interest	2,270	1,973
Accrued royalties	8,902	7,265
Accrued legal expenses and professional fees	4,898	6,851
Accrued benefits and payroll taxes	7,723	10,100
Accrued freight	2,079	1,950
Accrued property, sales and other taxes	7,117	4,668
Kaz acquisition liabilities	-	4,261
Derivative liabilities, current	3,563	4,564
Other	14,297	9,293
Total accrued expenses and other current liabilities	\$ 140,077	\$ 141,620

Kaz acquisition liabilities at February 28, 2011 consisted of \$4.26 million of additional purchase price consideration due to former Kaz shareholders as a working capital adjustment settlement, which was paid during the fiscal quarter ended August 31, 2011.

**Note 12 Income Taxes**

**United States Income Taxes** - In April 2010, the IRS concluded its audits of the 2007 and 2008 consolidated U.S. federal tax returns for Helen of Troy Texas Corporation. No adjustments were made to either year's tax returns. The U.S. federal income tax returns of Kaz and its subsidiaries for tax years 2003, 2004, 2006, 2007, and 2008 are currently under examination. The IRS has issued a notice of proposed adjustment for the 2006 tax year, which is currently under appeal. The Company is protesting the adjustments and believes that the potential impact of any adjustments sustained at appeal will not have a material impact on our results of operations or financial position, as the proposed adjustments relate to a tax receivable that was not acquired in the purchase of Kaz.

In November and December 2011, the Company received additional notices of proposed permanent adjustments related to Kaz's 2007 and 2008 tax years that would increase tax expense by \$0.52 and \$1.1 million, respectively. The Company also received notices of proposed timing adjustments related to the Kaz 2007 and 2008 tax years that would increase taxes payable and deferred tax assets by \$0.51 and \$2.51 million, respectively. The Company is currently evaluating the merits of the adjustments, but does not expect them to have a material impact on our results of operations or financial position. The IRS has not proposed any other adjustments for the other tax years under examination.





**Income Tax Provisions** - We must make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments must be used in the calculation of certain tax assets and liabilities because of differences in the timing of recognition of revenue and expense for tax and financial statement purposes. We must assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must increase our provision for taxes by recording a valuation allowance against the deferred tax assets that we estimate will not ultimately be recoverable. As changes occur in our assessments regarding our ability to recover our deferred tax assets, our tax provision is increased in any period in which we determine that the recovery is not probable.

In 1994, we engaged in a corporate restructuring that, among other things, resulted in a greater portion of our income not being subject to taxation in the U.S. If such income were subject to U.S. federal income taxes, our effective income tax rate would increase materially. Future actions by taxing authorities may result in tax liabilities that are significantly higher than the reserves established, which could have a material adverse effect on our consolidated results of operations or cash flows. Additionally, the U.S. government is constantly considering numerous proposed legislative changes in the tax law that, if enacted, could increase our overall effective tax rate.

**Unrecognized Tax Benefits** During the fiscal quarter ended November 30, 2011, in connection with its ongoing evaluation of its tax positions, the company recorded a \$9.13 million net increase to unrecognized tax benefits, primarily related to certain Kaz pre-acquisition tax positions.

### Note 13 Long-Term Debt

A summary of long-term debt is as follows:

#### LONG-TERM DEBT

(dollars in thousands)

	Original Date Borrowed	Interest Rates	Matures	November 30, 2011	February 28, 2011
\$15 million unsecured Senior Note payable at a fixed interest rate of 7.24%. Interest payable quarterly. Annual principal payments of \$3 million began in July 2008.	07/97	7.24%	07/12	\$ 3,000	\$ 6,000
\$50 million unsecured floating interest rate 7 year Senior Notes. Interest set and payable quarterly at three-month LIBOR plus 85 basis points. Principal is due at maturity. Notes can be prepaid without penalty. (1)	06/04	5.89%	06/11	-	50,000
\$75 million unsecured floating interest rate 10 year Senior Notes. Interest set and payable quarterly at three-month LIBOR plus 90 basis points. Principal is due at maturity. Notes can be prepaid without penalty. (1)	06/04	6.01%	06/14	75,000	75,000
\$100 million unsecured Senior Notes payable at a fixed interest rate of 3.90%. Interest payable semi-annually.	01/11	3.90%	01/18	100,000	100,000

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Annual principal payments of \$20 million begin in January 2014. Prepayment of notes are subject to a make whole premium.

Total long-term debt		<b>178,000</b>		231,000
Less current maturities of long-term debt		<b>(3,000)</b>		(53,000)
Long-term debt, excluding current maturities	<b>\$</b>	<b>175,000</b>	<b>\$</b>	178,000

(1) Floating interest rates have been hedged with interest rate swaps to effectively fix interest rates. Additional information regarding these swaps is provided in Note 15.

The fair market value of the fixed rate debt at November 30, 2011, computed using a discounted cash flow analysis, was \$102.46 million compared to the \$103.00 million book value and represents a Level 2 liability. All

other long-term debt has floating interest rates, and its book value approximates its fair value at November 30, 2011.

All of our debt is unconditionally guaranteed, on a joint and several basis, by the Company and certain of its subsidiaries. Our debt agreements require the maintenance of certain financial covenants, including a maximum leverage ratio (as that term is defined in the various agreements), a minimum interest coverage ratio (as defined in the various agreements) and a minimum consolidated net worth (as defined in the various agreements). Additionally, our debt agreements contain other customary covenants, including, among other things, covenants restricting the Company, except under certain conditions set forth therein, from (1) incurring debt, (2) incurring liens on any of its properties, (3) making certain types of investments, (4) selling certain assets or making other fundamental changes relating to mergers and consolidations, and (5) limit our ability to repurchase shares of our common stock and pay dividends.

As of November 30, 2011, our debt agreements effectively limited our ability to incur more than \$250.43 million of additional debt from all sources, including draws on the 2010 RCA and we were in compliance with the terms of all of our debt agreements.

The following table contains a summary of the components of our interest expense for the periods covered by our consolidated condensed statements of income:

## INTEREST EXPENSE

*(in thousands)*

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2011	2010	2011	2010
Interest and commitment fees	\$ 1,844	\$ 534	\$ 5,491	\$ 1,704
Deferred finance costs	192	57	610	171
Interest rate swap settlements, net	922	1,490	3,551	4,502
Total interest expense	\$ 2,958	\$ 2,081	\$ 9,652	\$ 6,377

**Note 14 Fair Value**

The following tables present the fair value hierarchy of our financial assets and liabilities carried at fair value or measured for disclosure purposes on a recurring basis as of November 30, 2011 and February 28, 2011:

**FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES***(in thousands)*

Description	Fair Values at November 30, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Market Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market accounts	\$ 2,134	\$ 2,134	\$ -	\$ -
Foreign currency contracts	162	-	162	-
Total assets	\$ 2,296	\$ 2,134	\$ 162	\$ -
Liabilities:				
Long-term debt - fixed rate (1)	\$ 102,459	\$ -	\$ 102,459	\$ -
Long-term debt - floating rate	75,000	-	75,000	-
Interest rate swaps	9,175	-	9,175	-
Foreign currency contracts	95	-	95	-
Total liabilities	\$ 186,729	\$ -	\$ 186,729	\$ -

  

Description	Fair Value at February 28, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Market Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market accounts	\$ 6,435	\$ 6,435	\$ -	\$ -
Commercial paper	1,560	1,560	-	-
Mutual funds	1,233	1,233	-	-
Auction rate securities	20,711	-	-	20,711
Total assets	\$ 29,939	\$ 9,228	\$ -	\$ 20,711
Liabilities:				
Long-term debt - fixed rate (1)	\$ 104,650	\$ -	\$ 104,650	\$ -
Long-term debt - floating rate	125,000	-	125,000	-
Interest rate swaps	9,625	-	9,625	-
Foreign currency contracts	970	-	970	-
Total liabilities	\$ 240,245	\$ -	\$ 240,245	\$ -

(1) Debt values are reported at their estimated fair values in this table but are recorded in the accompanying consolidated condensed balance sheets at the undiscounted value of remaining principal payments due.

Money market accounts and commercial paper are included in cash and cash equivalents in the accompanying consolidated condensed balance sheets and are classified as Level 1 assets. Mutual funds are classified as Level 1 assets and included in the line entitled Investments, at market value in the consolidated condensed balance sheets. Mutual fund market values are determined by the most recent trading price of each fund as

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of the balance sheet dates. At February 28, 2011, we determined auction rate securities ( ARS ) estimated fair values with discounted cash flow models using the methodology and assumptions described in Note 10 to the consolidated financial statements contained in our latest annual report on Form 10-K. ARS were recorded in the line Other assets, net of accumulated amortization in the consolidated condensed balance sheet as of February 28, 2011.

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We classify our fixed and floating rate debt as Level 2 liabilities because the estimation of the fair market value of debt requires the use of a discount rate based upon current market rates of interest for debt with comparable remaining terms. Such comparable rates are considered significant other observable market inputs. The fair market value of the fixed rate debt was computed using a discounted cash flow analysis and discount rates, ranging from 1.09 to 4.11 percent at November 30, 2011 and 1.86 to 4.36 percent at February 28, 2011, depending on the term of the loan. All other long-term debt has floating interest rates, and its book value approximates its fair value as of the reporting date.

We use derivatives for hedging purposes and our derivatives are primarily foreign currency contracts and interest rate swaps. While there are not active markets for these hedge contracts once they have been executed, the inputs used to calculate the fair values of those instruments at each reporting date are tied to active markets. Accordingly, we determine the fair value of our derivative instruments based on Level 2 inputs in the fair value hierarchy.

The Company's other non-financial assets include goodwill and other intangible assets, which we classify as Level 3 assets. These assets are measured at fair value on a nonrecurring basis as part of the Company's impairment assessments and as circumstances require.

The table below presents a reconciliation of our ARS measured and recorded at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three- and nine-month periods ended November 30, 2011:

**FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (Level 3)**  
(in thousands)

	Periods Ended November, 2011	
	Three Months	Nine Months
Balance at beginning of period	\$ 18,194	\$ 20,711
Total gains (losses):		
Included in net income - realized	(752)	(626)
Included in net income - unrealized	756	-
Included in other comprehensive income - unrealized	-	1,213
Sales at par	(150)	(3,250)
Sales at fair value	(18,048)	(18,048)
Balance at end of period	\$ -	\$ -
Cumulative unrealized losses relating to assets still held at the reporting date, net of taxes		\$ -

**Note 15 Financial Instruments and Risk Management**

**Foreign Currency Risk** - Our functional currency is the U.S. Dollar. By operating internationally, we are subject to foreign currency risk from transactions denominated in currencies other than the U.S. Dollar ( foreign currencies ). Such transactions include sales, certain inventory purchases and operating expenses. As a result of such transactions, portions of our cash, trade accounts receivable and trade accounts payable are denominated in foreign currencies. During the three- and nine-month periods ended November 30, 2011, approximately 20 and 19 percent, respectively, of our net sales revenue were in foreign currencies. These sales were primarily denominated in British Pounds, Euros, Mexican Pesos, Canadian Dollars, Japanese Yen, Australian Dollars, Chilean Pesos, Peruvian Soles and Venezuelan Bolivares Fuertes. During the three- and nine-month periods ended November 30, 2010, approximately 16 and 13 percent, respectively, of our net sales revenue were in foreign currencies. These transactions were primarily denominated in British Pounds, Euros, Mexican Pesos, Canadian Dollars, Chilean Pesos, Peruvian Soles, and Venezuelan Bolivares Fuertes. We make most of our inventory purchases from the Far East and use the U.S. Dollar for such purchases. In our consolidated condensed statements of income, exchange gains and losses resulting from the remeasurement of foreign taxes receivable, taxes payable, deferred tax assets and deferred tax liabilities, are recognized in their respective income tax lines, and all other foreign exchange gains and losses are recognized in SG&A. For the three- and nine-month periods ended November 30, 2011, we recorded net foreign exchange gains (losses), including the impact of currency hedges, of (\$1.44) and (\$1.64) million, respectively, in SG&A and \$0.14 and \$0.06 million, respectively, in income tax expense. For the three- and nine-month periods ended November 30, 2010, we recorded net foreign exchange gains (losses), including the impact of currency hedges, of \$0.40 and \$0.49 million, respectively, in SG&A and (\$0.05) and \$0.09 million, respectively, in income tax expense.

We have historically hedged against certain foreign currency exchange rate-risk by using a series of forward contracts designated as cash flow hedges to protect against the foreign currency exchange risk inherent in our forecasted transactions denominated in currencies other than the U.S. Dollar. We do not enter into any forward exchange contracts or similar instruments for trading or other speculative purposes.

**Interest Rate Risk** Interest on our long-term debt outstanding as of November 30, 2011 is both floating and fixed. Fixed rates are in place on \$103.00 million of Senior Notes at rates ranging from 3.90 to 7.24 percent and floating rates are in place on \$70.00 million in advances against our 2010 RCA and \$75.00 million of Senior Notes. If short-term interest rates increase, we will incur higher interest rates on any outstanding balances under the 2010 RCA. The floating rate Senior Notes reset, as described in Note 13, and have been effectively converted to fixed rate debt using an interest rate swap, as described below.

We manage a portion of our floating rate debt using an interest rate swap (the swap ). As of November 30, 2011, we had a swap that converted an aggregate notional principal of \$75.00 million from floating interest rate payments under our 10 year Senior Notes to fixed interest rate payments at 6.01 percent. In the swap transaction, we maintain contracts to pay fixed rates of interest on an aggregate notional principal amount of \$75.00 million at a rate 5.11 percent on our 10 year Senior Notes, while simultaneously receiving floating rate interest payments set at 0.37 percent as of November 30, 2011 on the same notional amounts. The fixed rate side of the swap will not change over the life of the swap. The floating rate payments are reset quarterly based on three month LIBOR. The resets are concurrent with the interest payments made on the underlying debt. Changes in the spread between the fixed rate payment side of the swap and the floating rate receipt side of the swap offset 100 percent of the change in any period of the underlying debt's floating rate payments. The swap is used to reduce the Company's risk of increased interest costs; however, when interest rates drop significantly below the swap rate, we lose the benefit that our floating rate debt would provide, if not managed with a swap. The swap is considered 100 percent effective.



The following table summarizes the fair values of our various derivative instruments at November 30, 2011 and February 28, 2011:

### FAIR VALUES OF DERIVATIVE INSTRUMENTS IN THE CONSOLIDATED BALANCE SHEETS

(in thousands)

November 30, 2011							
Designated as hedging instruments	Hedge Type	Final Settlement Date	Notional Amount	Derivative Assets,	Derivative Assets,	Accrued Expenses and Other Current	Derivative Liabilities,
				Current	Noncurrent	Liabilities	Noncurrent
Foreign currency contracts - sell Pounds	Cash flow	2/2012	£ 4,000	\$ 94	\$ -	\$ -	\$ -
Foreign currency contracts - sell Canadian	Cash flow	12/2012	\$ 9,000	45	23	-	-
Foreign currency contracts - sell Euros	Cash flow	2/2012	2,000	-	-	95	-
Subtotal				139	23	95	-
Interest rate swap	Cash flow	6/2014	\$ 75,000	-	-	3,468	5,707
Total fair value				\$ 139	\$ 23	\$ 3,563	\$ 5,707
February 28, 2011							
Designated as hedging instruments	Hedge Type	Final Settlement Date	Notional Amount	Derivative Assets,	Derivative Assets,	Accrued Expenses and Other Current	Derivative Liabilities,
				Current	Noncurrent	Liabilities	Noncurrent
Foreign currency contracts - sell Pounds	Cash flow	2/2012	£ 7,000	\$ -	\$ -	\$ 197	\$ -
Foreign currency contracts - sell Canadian	Cash flow	12/2012	\$ 13,000	-	-	208	191
Foreign currency contracts - sell Euros	Cash flow	2/2012	5,000	-	-	374	-
Subtotal				-	-	779	191
Interest rate swaps	Cash flow	6/2014	\$ 125,000	-	-	3,785	5,840
Total fair value				\$ -	\$ -	\$ 4,564	\$ 6,031

The pre-tax effect of derivative instruments for the three- and nine-month periods ended November 30, 2011 and 2010 is as follows:

## PRE TAX EFFECT OF DERIVATIVE INSTRUMENTS

(in thousands)

	Gain \ (Loss) Recognized in OCI (effective portion)		Three Months Ended November 30, Gain \ (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income			Gain \ (Loss) Recognized as Income (1)		
	2011	2010	Location	2011	2010	Location	2011	2010
	Currency contracts - ordinary and cash flow hedges	\$ 682	\$ (702)	SG&A	\$ (75)	\$ (38)	SG&A	\$ 40
Interest rate swaps - cash flow hedges	187	(187)	Interest expense	(922)	(1,490)		-	-
<b>Total</b>	<b>\$ 869</b>	<b>\$ (889)</b>		<b>\$ (997)</b>	<b>\$ (1,528)</b>		<b>\$ 40</b>	<b>\$ (41)</b>

	Gain \ (Loss) Recognized in OCI (effective portion)		Nine Months Ended November 30, Gain \ (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income			Gain \ (Loss) Recognized as Income (1)		
	2011	2010	Location	2011	2010	Location	2011	2010
	Currency contracts - ordinary and cash flow hedges	\$ 694	\$ 72	SG&A	\$ (344)	\$ 112	SG&A	\$ (138)
Interest rate swaps - cash flow hedges	(3,101)	(4,324)	Interest expense	(3,551)	(4,502)		-	-
<b>Total</b>	<b>\$ (2,407)</b>	<b>\$ (4,252)</b>		<b>\$ (3,895)</b>	<b>\$ (4,390)</b>		<b>\$ (138)</b>	<b>\$ (76)</b>

(1) The amounts shown represent the ineffective portion of the change in fair value of a cash flow hedge.

We expect net gains of \$0.02 million associated with foreign currency contracts that are currently reported in accumulated other comprehensive loss to be reclassified into income over the next twelve months. The amount ultimately realized, however, will differ as exchange rates change and the underlying contracts settle.

**Counterparty Credit Risk** - Financial instruments, including foreign currency contracts and interest rate swaps, expose us to counterparty credit risk for non-performance. We manage our exposure to counterparty credit risk through only dealing with counterparties who are substantial international financial institutions with significant experience using such derivative instruments. Although our theoretical credit risk is the replacement cost at the then-estimated fair value of these instruments, we believe that the risk of incurring credit risk losses is remote.

**Risks Inherent in Cash, Cash Equivalents and Investment Holdings** Our cash, cash equivalents and investments are subject to interest rate risk, credit risk and liquidity risk. Cash consists of both interest bearing and non-interest bearing disbursement or short-term investment accounts. Cash equivalents consist of commercial paper and money market investment accounts. Investments consist of BAA3 to AAA rated ARS and mutual funds. The following table summarizes our cash, cash equivalents and investments at November 30, 2011 and February 28, 2011:

## CASH, CASH EQUIVALENTS AND INVESTMENTS

(in thousands)

	November 30, 2011		February 28, 2011	
	Carrying Amount	Range of Interest Rates	Carrying Amount	Range of Interest Rates
Cash and cash equivalents				
Cash, interest and non-interest-bearing accounts - unrestricted	\$ 31,171	0.00 to 1.70%	\$ 16,587	0.00 to 1.60%
Cash, interest and non-interest-bearing accounts - restricted	2,114	0.00 to 1.25%	2,611	0.00 to 1.25%
Commercial paper	-		1,560	0.13%
Money market funds	2,134	0.01 to 4.92%	6,435	0.03 to 3.27%
Total cash and cash equivalents	\$ 35,419		\$ 27,193	
Investments:				
Auction rate securities	\$ -		\$ 20,711	1.76 to 8.47%
Mutual funds, principally equity based	-		1,233	
Total investments	\$ -		\$ 21,944	

Our cash balances at November 30, 2011 and February 28, 2011 include restricted cash of \$2.11 and \$2.61 million, respectively, denominated in Venezuelan Bolivares Fuertes, shown above under the heading Cash, interest and non-interest-bearing accounts restricted. The balances arise from our operations within the Venezuelan market. Until we are able to repatriate cash from Venezuela, we intend to use these cash balances in-country to continue to fund operations. We do not otherwise rely on these restricted funds as a source of liquidity.

At November 30, 2011, most of our cash equivalents are in money market accounts; therefore, we believe there is no material interest rate, credit or liquidity risk. During the fiscal quarter ended November 30, 2011, we sold all our mutual fund holdings paying out all proceeds in satisfaction of an associated Kaz deferred compensation plan.

At February 28, 2011, we held investments in ARS collateralized by student loans (with underlying maturities from 18 to 35 years). Substantially all of the collateral was guaranteed by the U.S. government under the Federal Family Education Loan Program. Liquidity for these securities was normally dependent on an auction process that reset the applicable interest rate at pre-determined intervals, ranging from 7 to 35 days. Beginning in February 2008, the auctions for the ARS held by us and others were unsuccessful, requiring us to hold them beyond their typical auction reset dates. Auctions fail when there is insufficient demand. However, this did not represent a default by the issuer of the security. Upon an auction's failure, the interest rates reset based on a formula contained in the security agreement. Our subsequent valuation of the securities was based on the assumption that they continued to accrue interest until one of the following occurred: the auction succeeded; the issuer called the securities; or the securities matured.

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At February 28, 2011, we had cumulative pre-tax unrealized losses on our ARS of \$1.34 million, reflected in accumulated other comprehensive loss in our accompanying consolidated condensed balance sheet, net of related tax effects of \$0.46 million. The recording of this unrealized loss was not a result of the quality of the underlying collateral, but rather a markdown reflecting a lack of liquidity and other market conditions at that time. For the three- and nine-month periods ended November 30, 2011, we liquidated \$0.15 and \$3.25 million, respectively, of ARS at par. For the three- and nine-month periods ended November 30, 2010, we liquidated \$0.10 and \$0.30 million, respectively, of ARS at par. On September 15, 2011, the Company entered into an agreement to sell its

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then remaining portfolio of \$18.90 million par value ARS for approximately 96 percent of par. The transaction settled in the fiscal quarter ended November 30, 2011.

### **Note 16** *Repurchase of Helen of Troy Common Stock*

On October 11, 2011, our Board of Directors approved a resolution to add 3,000,000 shares to the then existing shares of common stock authorized for repurchase, in open market or through private transactions. On October 31, 2011, our Board of Directors approved a resolution to extend the repurchase program through October 31, 2014. Under this program, as of November 30, 2011, we are authorized to purchase up to 3,120,039 shares of common stock in the open market or through private transactions. During the three- and nine-month periods ended November 30, 2011, there was no open market repurchase activity. During the three-month period ended November 30, 2010, there was no open market repurchase activity. During the nine-month period ended November 30, 2010, we repurchased and retired 80,000 shares of common stock at a total purchase price of \$1.80 million, for a \$22.49 per share average price.

Our current equity compensation plans include provisions that allow for the cashless exercise of stock options by all plan participants. In a cashless exercise, any required payroll taxes, federal withholding taxes and exercise price of the shares due from the option holder can be paid for by having the option holder tender back to the Company a number of shares at fair value equal to the amounts due. Cashless exercises are accounted for by the Company as a purchase and retirement of shares.

During the three-month period ended November 30, 2011, employees tendered 6,616 shares of common stock having an aggregate market value of \$0.19 million, or an average of \$28.23 per share, as payment for the exercise price arising from the exercise of options. During the nine-month period ended November 30, 2011, certain members of our Board of Directors and employees tendered 56,651 shares of common stock having an aggregate market value of \$1.85 million, or an average of \$32.66 per share, as payment for the exercise price arising from the exercise of options. In addition, on July 7, 2011, our Chief Executive Officer tendered 1,016,227 shares of common stock having a market value of \$36.52 million as payment for the exercise price and related federal tax obligations arising from the exercise of stock options to purchase 1,625,000 shares of common stock. During the three- and nine-month periods ended November 30, 2010, there were no tenders of shares of common stock as payment for the exercise price arising from the exercise of options.

### **Note 17** *Share-Based Compensation Plans*

We have options outstanding under two expired and two active share-based compensation plans. The Company recorded share-based compensation expense in SG&A for the three- and nine-month periods ended November 30, 2011 and 2010, respectively, as follows:

#### **SHARE-BASED PAYMENT EXPENSE**

*(in thousands, except per share data)*

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2011	2010	2011	2010
Stock options	\$ 537	\$ 402	\$ 1,541	\$ 1,218

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Restricted stock grants	<b>531</b>	-	<b>531</b>	258
Employee stock purchase plan	-	-	<b>159</b>	71
Share-based payment expense	<b>1,068</b>	402	<b>2,231</b>	1,547
Less income tax benefits	<b>(24)</b>	(25)	<b>(76)</b>	(75)
Share-based payment expense, net of income tax benefits	<b>\$ 1,044</b>	\$ 377	<b>\$ 2,155</b>	\$ 1,472
Earnings per share impact of share-based payment expense:				
Basic	<b>\$ 0.03</b>	\$ 0.01	<b>\$ 0.07</b>	\$ 0.05
Diluted	<b>\$ 0.03</b>	\$ 0.01	<b>\$ 0.07</b>	\$ 0.05

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The fair value of the options granted during the last nine months were estimated using the Black-Scholes option pricing model to estimate fair values over four and five year vesting terms. The weighted average grant date fair value for all such grants was approximately \$13.07. The following assumptions were used for the four and five year grants: expected lives ranging from of 4.05 and 4.35 years; risk free interest rates ranging from 0.97 to 1.51 percent; zero dividend yield; and expected volatilities ranging from 51.44 to 65.86 percent.

A summary of option activity as of November 30, 2011, and changes during the nine months then ended is as follows:

## SUMMARY OF STOCK OPTION ACTIVITY

*(in thousands, except contractual term and per share data)*

	Options	Weighted Average Exercise Price (per share)	Weighted Average Grant Date Fair Value (per share)	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at February 28, 2011	2,510	\$ 17.64	\$ 6.40	3.05	\$ 26,054
Granted	369	32.73			
Exercised	(1,801)	(15.58)			36,031
Forfeited / expired	(81)	(28.06)			
Outstanding at November 30, 2011	997	\$ 26.10	\$ 10.09	5.81	\$ 4,821
Exercisable at November 30, 2011	341	\$ 24.28	\$ 8.65	3.72	\$ 1,954

At the Company's Annual General Meeting of Shareholders, held on October 11, 2011, the Company's shareholders approved certain amendments to the Helen of Troy Limited 2008 Stock Incentive Plan. The most significant of these amendments consisted of (1) increasing the number of shares of common stock available for grant as stock options, unrestricted shares, restricted stock, restricted stock units or any other type of stock-based awards from 750,000 shares to 3,750,000 shares, (2) permitting Gerald J. Rubin, the Company's Chairman of the Board, Chief Executive Officer and President, to participate in the plan, and (3) increasing the maximum number of shares with respect to which awards of any and all types may be granted during a calendar year to any participant, from 250,000 to 1,000,000 shares.

On October 24, 2011, the Company granted 18,000 shares of restricted stock under the Helen of Troy Limited 2008 Non-Employee Directors Stock Incentive Plan to certain board members having a fair value at the date of the grant of \$29.48 per share. A summary of restricted stock share activity under the plan follows:

## SUMMARY OF 2008 DIRECTORS PLAN RESTRICTED SHARE ACTIVITY

*(in thousands, except per share data)*

**Weighted  
Average  
Grant Date**

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	<b>Restricted Shares</b>	<b>Fair Value (per share)</b>	<b>Total Value</b>
Outstanding at February 28, 2011	20	22.14	434
Grants	18	29.48	531
Outstanding at November 30, 2011	38	\$ 25.65	\$ 965

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**Note 18** *Subsequent Events*

**Amendment to the 2010 RCA** In connection with the acquisition of the PUR home water filtration business discussed below, the Company amended the 2010 RCA on December 15, 2011. The amendment increased the amount of borrowings available under the revolving commitment from \$150.00 million to \$250.00 million, subject to the terms and limitations described in the 2010 RCA.

**PUR® Water Purification Products Acquisition** - On December 5, 2011, we entered into an asset and stock purchase agreement to acquire 100 percent of the stock of PUR Water Purification Products, Inc., and certain other assets and liabilities from the Procter & Gamble Company and certain affiliates ( P&G ) for a net purchase price of \$160.00 million. Significant assets acquired include manufacturing equipment, trademarks, customer lists, distribution rights, patents and the goodwill of the PUR home water filtration business ( PUR ). On December 30, 2011, we completed the acquisition, which was paid for in cash with \$160.00 million of advances on our 2010 RCA. PUR 's product line includes faucet mount water filtration systems and filters, pitcher systems and filters, and refrigerator filters. We will operate the PUR business in our Healthcare / Home Environment segment and market its products primarily into retail trade channels in the U.S. We expect that goodwill arising from the acquisition will consist largely of the distribution network, marketing synergies and economies of scale that are anticipated from the addition of the new product line.

In connection with this acquisition, the parties entered into transitional services and supply agreements whereby P&G or one or more of its affiliates will provide certain short-term services for and supply certain products to the Company in exchange for specified fees. Upon the completion of these services, we will acquire any remaining PUR inventory on-hand from P&G.

Because of the proximity of the acquisition closing date to the date of filing this report, the Company has not completed the initial accounting for the acquisition, including determining the acquisition-date fair values of the identifiable acquired assets and liabilities assumed. Management will use third party valuations and other detailed analysis to complete our analysis of the economic lives of assets acquired, make fair value estimates and allocate the purchase price. Depending on the results of this analysis, we will likely, in future periods, record amortization expense on the finite lived intangible assets associated with the acquisition. Additionally, without the initial accounting for the acquisition, it was impractical to provide complete and suitably adjusted pro forma financial disclosures showing the impact of the transaction on historical net sales revenue and net income. We expect to complete the analysis required in sufficient time to report the initial accounting for the acquisition in our annual consolidated financial statements for the current fiscal year ending February 29, 2012.

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

This discussion contains a number of forward-looking statements, all of which are based on current expectations. Actual results may differ materially due to a number of factors, including those discussed in Part I, Item 3. Quantitative and Qualitative Disclosures about Market Risk and Information Regarding Forward Looking Statements in this report and Risk Factors in the Company's most recent annual report on Form 10-K and its other filings with the Securities and Exchange Commission (the SEC). This discussion should be read in conjunction with our consolidated condensed financial statements included under Part I, Item 1 of this report.

### **ABOUT THE COMPANY**

We are a global designer, developer, importer, and distributor of an expanding portfolio of brand-name consumer products. We were incorporated as Helen of Troy Corporation in Texas in 1968 and reincorporated as Helen of Troy Limited in Bermuda in 1994. We have three segments: Personal Care, Housewares and Healthcare / Home Environment. Our Personal Care segment's products include electric hair care, beauty care and wellness appliances; grooming tools and accessories; and liquid, solid- and powder-based personal care and grooming products. Our Housewares segment reports the operations of the OXO family of brands, which provide a broad range of innovative consumer products for the home. Product offerings include food preparation and storage, cleaning, organization, and baby and toddler care products. Our Healthcare / Home Environment segment reports the operations of Kaz, which we acquired on December 31, 2010. This segment focuses on health care devices such as thermometers, humidifiers and heating pads, and small domestic appliances such as air purifiers, portable heaters, fans, and bug zappers. All three segments sell their products primarily through mass merchandisers, drugstore chains, warehouse clubs, catalogs, grocery stores, and specialty stores. In addition, the Personal Care segment sells extensively through beauty supply retailers and wholesalers and the Healthcare / Home Environment segment sells certain of its product lines through medical distributors and other products through home improvement stores. We purchase our products from unaffiliated manufacturers, most of which are located in China, Mexico and the United States.

On December 5, 2011, we entered into an asset and stock purchase agreement to acquire 100 percent of the stock of PUR Water Purification Products, Inc., and certain other assets and liabilities from the Procter & Gamble Company and certain affiliates (P&G) for a net purchase price of \$160.00 million. Significant assets acquired include manufacturing equipment, trademarks, customer lists, distribution rights, patents and the goodwill of the PUR home water filtration business (PUR). On December 30, 2011, we completed the acquisition, which was paid for in cash with \$160.00 million of advances on our 2010 RCA. PUR's product line includes faucet mount water filtration systems and filters, pitcher systems and filters, and refrigerator filters. We will operate the PUR business in our Healthcare / Home Environment segment and market its products primarily into the retail trade channels in the U.S. We believe the product category shares many of the segment's existing customer base, target audience, and product focus areas. PUR adds an important brand to a portfolio of well-recognized and widely-trusted brands and we believe will provide a continuing revenue stream from consumables.

### **OVERVIEW OF THE QUARTER'S RESULTS**

On a historical basis, our third fiscal quarter's net sales revenue volume is generally the highest of each fiscal year. Historically, our business has been seasonal. With the addition of the Healthcare / Home Environment segment, the impact of the seasonality of the combined business on consolidated operating income has become more pronounced. We expect that a significant portion of the new segment's operating income will be earned in the last two quarters of our fiscal year.

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Domestic and global economic indicators continue to provide mixed signals regarding an economic recovery. Consumers continue to react with modest resilience. Holiday sales, while trending stronger than last year, have been less than robust, with much of the growth coming from hand-held consumer electronics such as cell phones, e-book readers and tablet computing. The consequences of recent events, including the impact of Middle East tensions and related political instabilities on fuel and transportation prices, the U.S. debt ceiling

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legislative debate and downgrade in the U.S. 's debt rating, stock market volatility, uncertainties regarding the direction of foreign currency markets, sovereign debt issues in the European Union, the likelihood that a broad euro-zone economic contraction has begun and the impact of cost variability on materials used in some of our products continue to keep us cautious regarding the outlook for most of our businesses.

We continue to implement certain significant and interdependent initiatives. These include the upgrade of our Enterprise Resource Planning System and the integration of the Kaz business and its supply chain. Implementing these initiatives is complex and requires the devotion of significant time by our employees. If complications arise in this process, we could potentially experience supply disruptions, order cancellations, loss of product placement and charge-backs as a result of late deliveries. Accordingly, we continue to focus on mitigating these risks by taking certain measures, including increasing our internal staffing and resources in key areas in order to effectively manage upgrade and integration activities while continuing to adjust our sourcing capabilities for expanding product offerings.

Consolidated net sales revenue for the three- and nine-month periods ended November 30, 2011 increased 65.3 and 64.4 percent to \$338.79 and \$887.67 million, respectively, compared to \$205.00 and \$539.98 million, respectively, for the same periods last year. Net sales revenue in our Personal Care segment was up 1.7 and 2.4 percent for the three- and nine-month periods ended November 30, 2011, respectively, when compared to the same periods last year. The nine-month period ended November 30, 2011 includes an extra month of net sales revenue of \$6.51 million, or 1.7 percentage points of growth, from the Pert Plus and Sure acquisition when compared with the same period last year (which only included eight months of revenue due to Pert Plus and Sure being acquired on March 31, 2010). Net sales revenue in our Housewares segment was up 4.7 and 9.8 percent, for the three- and nine-month periods ended November 30, 2011, respectively, when compared to the same periods last year. The Healthcare / Home Environment segment reported net sales revenue totaling \$128.58 and \$322.66 million for three- and nine-month periods ended November 30, 2011. On a pro forma basis, the segment 's net sales revenue was up 3.5 and 3.2 percent, for the three- and nine-month periods ended November 30, 2011, respectively, when compared to the same periods last year, prior to the acquisition. In addition to our net sales revenue performance, key items for the three- and nine-month periods ended November 30, 2011 include the following:

- Consolidated gross profit margin as a percentage of net sales revenue for the fiscal quarter ended November 30, 2011 decreased 5.9 percentage points to 39.3 percent compared to 45.2 percent for the same period last year. Consolidated gross profit margin as a percentage of net sales for the nine-month period ended November 30, 2011 decreased 5.5 percentage points to 40.0 percent compared to 45.5 percent for the same period last year.

- Selling, general and administrative expense ( SG&A ) as a percentage of net sales decreased 2.9 percentage points to 27.0 percent for the three months ended November 30, 2011 compared to 29.9 percent for the same period last year. SG&A as a percentage of net sales for the nine months ended November 30, 2011 decreased 1.7 percentage points to 28.5 percent compared to 30.2 percent for the same period last year.

- For the three- and nine-month periods ended November 30, 2011, operating income before impairments increased to \$41.83 and \$102.83 million compared to \$31.54 and \$82.43 million, respectively, for the same periods last year. For the three- and nine-month periods ended November 30, 2011, the dollar increases represent a year-over-year improvement of 32.6 and 24.8 percent, respectively.

- For the three- and nine-month periods ended November 30, 2011, our net income was \$32.88 and \$81.08 million, respectively, compared to \$27.06 and \$68.92 million, respectively, for the same periods last year, an increase of 21.5 and 17.6 percent, respectively. For the three- and nine-month periods ended November 30, 2011, our diluted earnings per share was \$1.04 and \$2.56 compared to \$0.86 and \$2.20, respectively, for the same periods last year.



**RESULTS OF OPERATIONS****Comparison of three- and nine-month periods ended November 30, 2011 to the same periods ended November 30, 2010**

The following table sets forth, for the periods indicated, our selected operating data, in U.S. Dollars, as a year-over-year percentage change, and as a percentage of net sales revenue.

**SELECTED OPERATING DATA**

*(dollars in thousands)*

	Quarter Ended November 30,				% of Sales Revenue, net	
	2011	2010	\$ Change	% Change	2011	2010
Sales revenue, net						
Personal Care	\$ 148,984	\$ 146,506	\$ 2,478	1.7%	44.0%	71.5%
Housewares	61,223	58,495	2,728	4.7%	18.1%	28.5%
Healthcare / Home Environment	128,578	-	128,578	*	37.9%	0.0%
Total sales revenue, net	338,785	205,001	133,784	65.3%	100.0%	100.0%
Cost of goods sold	205,603	112,256	93,347	83.2%	60.7%	54.8%
Gross profit	133,182	92,745	40,437	43.6%	39.3%	45.2%
Selling, general, and administrative expense	91,354	61,205	30,149	49.3%	27.0%	29.9%
Operating income before impairments	41,828	31,540	10,288	32.6%	12.3%	15.4%
Asset impairment charges	-	-	-	0.0%	0.0%	0.0%
Operating income	41,828	31,540	10,288	32.6%	12.3%	15.4%
Other income (expense):						
Nonoperating income (expense), net	190	156	34	21.8%	0.1%	0.1%
Interest expense	(2,958)	(2,081)	(877)	42.1%	-0.9%	-1.0%
Total other income (expense)	(2,768)	(1,925)	(843)	43.8%	-0.8%	-0.9%
Income before income taxes	39,060	29,615	9,445	31.9%	11.5%	14.4%
Income tax expense	6,181	2,552	3,629	142.2%	1.8%	1.2%
Net income	\$ 32,879	\$ 27,063	\$ 5,816	21.5%	9.7%	13.2%

	Nine Months Ended November 30,				% of Sales Revenue, net	
	2011	2010	\$ Change	% Change	2011	2010
Sales revenue, net						
Personal Care	\$ 386,998	\$ 377,853	\$ 9,145	2.4%	43.6%	70.0%
Housewares	178,017	162,124	15,893	9.8%	20.1%	30.0%
Healthcare / Home Environment	322,657	-	322,657	*	36.3%	0.0%
Total sales revenue, net	887,672	539,977	347,695	64.4%	100.0%	100.0%
Cost of goods sold	532,295	294,529	237,766	80.7%	60.0%	54.5%
Gross profit	355,377	245,448	109,929	44.8%	40.0%	45.5%
Selling, general, and administrative expense	252,546	163,020	89,526	54.9%	28.5%	30.2%
Operating income before impairments	102,831	82,428	20,403	24.8%	11.6%	15.3%
Asset impairment charges	-	501	(501)	*	0.0%	0.1%

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Operating income	<b>102,831</b>		81,927	20,904	25.5%	<b>11.6%</b>	15.2%
Other income (expense):							
Nonoperating income (expense), net	<b>(325)</b>		490	(815)	*	<b>0.0%</b>	0.1%
Interest expense	<b>(9,652)</b>		(6,377)	(3,275)	51.4%	<b>-1.1%</b>	-1.2%
Total other income (expense)	<b>(9,977)</b>		(5,887)	(4,090)	69.5%	<b>-1.1%</b>	-1.1%
Income before income taxes	<b>92,854</b>		76,040	16,814	22.1%	<b>10.5%</b>	14.1%
Income tax expense	<b>11,777</b>		7,117	4,660	65.5%	<b>1.3%</b>	1.3%
Net income	<b>\$ 81,077</b>	<b>\$</b>	68,923	<b>\$</b> 12,154	17.6%	<b>9.1%</b>	12.8%

\* Calculation is not meaningful

**Consolidated net sales revenue:**

Consolidated net sales revenue for the three- and nine-month periods ended November 30, 2011 increased 65.3 and 64.4 percent to \$338.79 and \$887.67 million, respectively, compared to \$205.00 and \$539.98 million, respectively, for the same periods last year. Net sales revenue for three- and nine-month periods ended November 30, 2011 includes sales results totaling \$128.58 and \$322.66 million, respectively, from our recent acquisition of Kaz on December 31, 2010, which is reported as our Healthcare / Home Environment segment. Our Personal Care segment contributed consolidated net sales revenue growth of 1.2 and 1.7 percentage points, or \$2.48 and \$9.15 million, respectively, for the three- and nine-month periods ended November 30, 2011, when compared to the same periods last year. Our Housewares segment contributed consolidated net sales revenue growth of 1.3 and 2.9 percentage points, or \$2.73 and \$15.89 million, respectively, for the three- and nine-month periods ended November 30, 2011, when compared to the same periods last year.

**Impact of acquisitions on net sales revenue:**

Net sales revenue from acquisitions, principally the Kaz acquisition on December 31, 2010, contributed 62.7 and 61.0 percentage points, respectively, to our consolidated net sales revenue growth for the three- and nine-month periods ended November 30, 2011. Kaz's results are reported as the Healthcare / Home Environment segment and accounted for 62.7 and 59.8 percentage points, or \$128.58 and \$322.66 million, respectively, of consolidated net sales revenue growth for the three- and nine-month periods ended November 30, 2011. Net sales revenue from acquisitions for the nine-month period ended November 30, 2011 also included one month of incremental net sales revenue from our Pert Plus hair care and Sure antiperspirant and deodorant product lines acquired on March 31, 2010. For the nine-month period ended November 30, 2011, the Pert Plus and Sure product lines contributed 1.2 percentage points, or \$6.51 million, of consolidated net sales revenue growth. Organic growth came from our core business (business owned and operated over the same fiscal period last year) which contributed 2.5 and 3.4 percentage points, or \$5.21 and \$18.53 million, respectively, to consolidated net sales revenue growth for the three- and nine-month periods ended November 30, 2011, when compared to the same periods last year. The following table sets forth the impact acquisitions had on our net sales revenue:

**IMPACT OF ACQUISITIONS ON NET SALES REVENUE***(in thousands)*

	Quarter Ended November 30,	
	2011	2010
Prior year's sales revenue, net	\$ 205,001	\$ 189,399
Components of net sales revenue change		
Core business	5,206	(1,991)
Incremental net sales revenue from acquisitions:		
Pert Plus & Sure (three months in fiscal 2011)	-	17,593
Healthcare / Home Environment (three months in fiscal 2012)	128,578	-
Change in sales revenue, net	133,784	15,602
Sales revenue, net	\$ 338,785	\$ 205,001
Total net sales revenue growth	65.3%	8.2%
Core business	2.5%	-1.1%
Acquisitions	62.7%	9.3%



**IMPACT OF ACQUISITIONS ON NET SALES REVENUE***(in thousands)*

	<b>Nine Months Ended November 30,</b>	
	<b>2011</b>	<b>2010</b>
Prior year's sales revenue, net	\$ 539,977	\$ 495,465
Components of net sales revenue change		
Core business	18,525	(6,275)
Incremental net sales revenue from acquisitions:		
Infusium (one month in fiscal 2011)	-	2,366
Pert Plus & Sure (one and eight months in fiscal 2012 and 2011, respectively)	6,513	48,421
Healthcare / Home Environment (nine months in fiscal 2012)	322,657	-
Change in sales revenue, net	347,695	44,512
Sales revenue, net	\$ 887,672	\$ 539,977
Total net sales revenue growth	64.4%	9.0%
Core business	3.4%	-1.3%
Acquisitions	61.0%	10.3%

In the preceding tables, core business is defined as net sales revenue associated with product lines or brands after the first twelve months from the date the business, product line or brand was acquired. Net sales revenue from internally developed brands or product lines are always considered core business. Net sales revenue from acquisitions is defined as net sales revenues associated with businesses, product lines or brands that we have acquired and operated for less than twelve months during each period presented.

***Impact of foreign currencies on net sales revenue:***

During the three- and nine-month periods ended November 30, 2011, we transacted approximately 20 and 19 percent, respectively, of our net sales revenues in foreign currencies. These were primarily denominated in British Pounds, Euros, Mexican Pesos, Canadian Dollars, Japanese Yen, Australian Dollars, Chilean Pesos, Peruvian Soles, and Venezuelan Bolivares Fuertes. During the three- and nine-month periods ended November 30, 2010, we transacted approximately 16 and 13 percent, respectively, of our net sales revenues in foreign currencies. These transactions were primarily denominated in British Pounds, Euros, Mexican Pesos, Canadian Dollars, Chilean Pesos, Peruvian Soles, and Venezuelan Bolivares Fuertes. For the three- and nine-month periods ended November 30, 2011, the impact of net foreign currency exchange rates increased our international net sales revenue by approximately \$0.59 and \$8.09 million, respectively. Most of the impact of these fluctuations affected sales in our Personal Care and Healthcare / Home Environment segments.

***Segment net sales revenue:***

We operate our business under three segments: Personal Care, Housewares and Healthcare / Home Environment. Our Personal Care segment's products include electric hair care, beauty care and wellness appliances; grooming tools and accessories; and liquid, solid- and powder-based personal care and grooming products. Our Housewares segment reports the operations of the OXO family of brands, which provide a broad range of innovative consumer products for the home. Product offerings include food preparation and storage, cleaning, organization, and baby and toddler care products. The Healthcare / Home Environment segment reports the operating results from Kaz, which we acquired on December 31, 2010. This segment focuses on health care devices such as thermometers, humidifiers and heating pads, and small domestic appliances such as air purifiers, portable heaters, fans, and bug zappers.



The following table sets forth, for the periods indicated, our net sales revenue and the impact of volume and price mix changes for each segment:

## SALES REVENUE, NET BY SEGMENT

(dollars in thousands)

	Quarter Ended November 30,		Volume	\$ Change Price	Net	Volume	% Change Price	Net
	2011	2010						
Sales revenue, net								
Personal Care	\$ 148,984	\$ 146,506	\$ 3,043	\$ (565)	\$ 2,478	2.1%	-0.4%	1.7%
Housewares	61,223	58,495	1,579	1,149	2,728	2.7%	2.0%	4.7%
Healthcare / Home Environment	128,578	-	128,578	-	128,578	*	*	*
Total sales revenue, net	\$ 338,785	\$ 205,001	\$ 133,200	\$ 584	\$ 133,784	65.0%	0.3%	65.3%
	Nine Months Ended November 30,		Volume	\$ Change Price	Net	Volume	% Change Price	Net
	2011	2010						
Sales revenue, net								
Personal Care	\$ 386,998	\$ 377,853	\$ 2,565	\$ 6,580	\$ 9,145	0.7%	1.7%	2.4%
Housewares	178,017	162,124	14,686	1,207	15,893	9.1%	0.7%	9.8%
Healthcare / Home Environment	322,657	-	322,657	-	322,657	*	*	*
Total sales revenue, net	\$ 887,672	\$ 539,977	\$ 339,908	\$ 7,787	\$ 347,695	62.9%	1.4%	64.4%

\* Calculation is not meaningful

**Personal Care Segment** - Segment net sales revenue for the three months ended November 30, 2011 increased \$2.48 million, or 1.7 percent, to \$148.98 million compared with \$146.51 million for the same period last year. The segment's increase in the third fiscal quarter was principally due to unit volume increases. We believe this segment's net sales revenue continues to be negatively impacted by economic conditions as we believe that consumers are trading down to value priced merchandise, especially within the dollar store channels. Segment net sales revenue for the nine months ended November 30, 2011 increased \$9.15 million, or 2.4 percent, to \$387.00 million compared with \$377.85 million for the same period last year. A large portion of the segment's net sales revenue growth for the nine months ended November 30, 2011 was provided by an additional month, or \$6.51 million, of net sales revenue from the Pert Plus and Sure product lines, when compared with the same period last year (which only included eight months of revenue, due to Pert Plus and Sure being acquired on March 31, 2010).

We continue to expect that net sales revenue performance in our Personal Care segment will be heavily dependent on improvements in employment, housing markets and consumers' personal finances.

**Housewares Segment** - Segment net sales revenue for the three months ended November 30, 2011 increased \$2.73 million, or 4.7 percent, to \$61.22 million compared with \$58.50 million for the same period last year. Net sales revenue growth for the three months ended November 30, 2011 was negatively impacted by early seasonal promotional closeout sales made in the second fiscal quarter that have historically shipped in the third and fourth fiscal quarters. Segment net sales revenue for the nine months ended November 30, 2011 increased \$15.89 million, or 9.8 percent, to \$178.02 million compared with \$162.12 million for the same period last year. Net sales revenue growth for the nine months ended November 30, 2011 was due to a combination of expanded distribution in certain product categories and year-over-year unit volume growth with a number of key retail partners.

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Future net sales revenue growth in this segment of our business continues to be dependent on new product innovation, continued product line expansion, new sources of distribution, geographic expansion and the retail economic environment. While we believe in the segment's organic growth potential, we remain cautious about its ability to sustain net sales revenue growth experienced prior to fiscal 2012. We continue to expect net sales revenue annual growth rates for the segment to remain in the mid-to-high single digits in fiscal 2012.

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**Healthcare / Home Environment** - The Healthcare / Home Environment segment reflects the operating results from Kaz, which we acquired on December 31, 2010. Net sales revenue for the three- and nine-month periods ended November 30, 2011 was \$128.58 and \$322.66 million, respectively. On a pro forma basis, the segment's net sales revenue was up 3.5 percent and 3.2 percent, for the three- and nine-month periods ended November 30, 2011, respectively, when compared to the same periods last year, prior to the acquisition. Sales in the third fiscal quarter continued to benefit from demand for new thermometry product introductions.

***Consolidated gross profit margin:***

Consolidated gross profit margin as a percentage of net sales revenue for the three months ended November 30, 2011 decreased 5.9 percentage points to 39.3 percent compared to 45.2 percent for the same period last year. Consolidated gross profit margin as a percentage of net sales revenue for the nine months ended November 30, 2011 decreased 5.5 percentage points to 40.0 percent compared to 45.5 percent for the same period last year. The decline in our margin for both periods was primarily due to the dilutive impact of the Healthcare / Home Environment segment, whose overall gross profit margin is below those of our other two segments. Promotional discounts and product cost increases also contributed to gross profit margin declines for the fiscal quarter ended November 30, 2011.

Our product sourcing mix is heavily dependent on imports from China. China's currency is no longer pegged solely to the U.S. dollar. As a result, we believe China's currency will continue to appreciate against the U.S. Dollar in the short-to-intermediate-term, resulting in increased product costs over time. In addition, there has been recent variability across all segments in raw materials and associated inbound transportation costs. Accordingly, we remain cautious about the gross profit margin for the remainder of fiscal 2012.

***Selling, general and administrative expense:***

SG&A decreased 2.9 percentage points to 27.0 percent of net sales revenue for the three-month period ended November 30, 2011, compared to 29.9 percent for the same period last year. SG&A decreased 1.7 percentage points to 28.5 percent of net sales revenue for the nine-month period ended November 30, 2011, compared to 30.2 percent for the same period last year.

The year-over-year decrease in SG&A as a percentage of net sales revenue for the three months ended November 30, 2011 is primarily due to the impact of Kaz, which operates on lower SG&A as a percentage of net sales revenue than the Company's consolidated SG&A as a percentage of net sales revenue for the same period last year. This decrease was partially offset by the unfavorable impact of net foreign exchange gains/losses year-over-year. SG&A for the nine months ended November 30, 2011 compared to the same period last year benefitted from the favorable impact of the Kaz acquisition and from transition service fees incurred last year in connection with the acquisition of Pert Plus and Sure brands that did not repeat in the current year, partially offset by the unfavorable impact of net foreign exchange gains/losses year-over-year.

*Operating income before impairments by segment:*

The following tables set forth, for the periods indicated, our operating income before impairments by segment, as a year-over-year percentage change, and as a percentage of net sales revenue for each segment and the Company overall:

**OPERATING INCOME BEFORE IMPAIRMENTS BY SEGMENT***(dollars in thousands)*

	Quarter Ended November 30,		\$ Change	% Change	% of Sales Revenue, net	
	2011	2010			2011	2010
Personal Care	\$ 17,292	\$ 18,816	\$ (1,524)	-8.1%	11.6%	12.8%
Housewares	11,016	12,724	(1,708)	-13.4%	18.0%	21.8%
Healthcare / Home Environment	13,520	-	13,520	*	10.5%	0.0%
Total operating income before impairments	\$ 41,828	\$ 31,540	\$ 10,288	32.6%	12.3%	15.4%
	Nine Months Ended November 30,		\$ Change	% Change	% of Sales Revenue, net	
	2011	2010			2011	2010
Personal Care	\$ 48,299	\$ 47,142	\$ 1,157	2.5%	12.5%	12.5%
Housewares	33,854	35,286	(1,432)	-4.1%	19.0%	21.8%
Healthcare / Home Environment	20,678	-	20,678	*	6.4%	0.0%
Total operating income before impairments	\$ 102,831	\$ 82,428	\$ 20,403	24.8%	11.6%	15.3%

\* Calculation is not meaningful

We compute operating income before impairment for each segment based on net sales revenue, less cost of goods sold and any SG&A associated with the segment, not including impairment charges. The SG&A used to compute each segment's operating income is comprised of SG&A directly associated with the segment, plus overhead expenses that are allocable to the segment. We make allocations of overhead between operating segments using a number of relevant allocation criteria, depending on the nature of the expense, the most significant of which are relative revenues, estimates of relative labor expenditures, headcount, and facilities square footage. For the three- and nine-month periods ended November 30, 2011, we began making an allocation of corporate overhead to the Healthcare / Home Environment segment. These allocations totaled \$1.51 and \$4.52 million, respectively. As we continue to further integrate the operations of the Healthcare / Home Environment segment, we expect to allocate the costs of certain operating functions that will likely be shared between segments. As we decide such operating cost allocations are appropriate, there may be some additional reduction in the operating results of the Healthcare / Home Environment segment offset by increases in operating income of the Personal Care and Housewares segments. The extent of this operating income impact between the segments has not yet been determined.

The Personal Care segment's operating income before impairments for the three months ended November 30, 2011 decreased \$1.52 million, or 8.1 percent, compared to the same period last year. Net sales revenue gains in the third fiscal quarter were offset by higher promotional discounts, product cost increases, and the unfavorable impact of net foreign exchange gains/losses. The decrease in operating income in the second and third quarters of fiscal 2012 was offset by strong first quarter operating income, resulting in operating income gains for the nine months ended November 30, 2011 of \$1.16 million, or 2.5 percent, when compared to the same period last year.

The Housewares segment's operating income before impairments decreased \$1.71 million, or 13.4 percent, for the three months ended November 30, 2011 compared to the same period last year. The segment's operating income before impairments decreased \$1.43 million, or 4.1

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percent, for the nine months ended November 30, 2011, when compared to the same period last year. The decline in third fiscal quarter profitability and decline in overall year-to-date profitability in the segment was principally due to the impact of product cost increases.

The Healthcare / Home Environment segment reported operating income of \$13.52 and \$20.68 million for the three- and nine-months ended November 30, 2011, respectively. The segment continues to benefit from the combined impact of better sales mix and synergy initiatives. In addition, as we have previously disclosed, the first half of the fiscal year ending in August has historically been Kaz's weakest half of the year in terms of net sales revenue and operating margin and is not reflective of its anticipated full year results for fiscal 2012. We expect that a significant portion of the new segment's operating income will be earned in the second half of the fiscal year. The segment operates on a lower overall gross profit margin than the Personal Care and Housewares segments, which is the principal reason for its lower overall operating profit, as a percentage of net sales revenue.

***Impairment Charges:***

The Company conducts its annual test of impairment of goodwill and indefinite-lived intangible assets in the first quarter of each fiscal year. The Company also tests for impairment if events or circumstances indicate that it is more likely than not that the fair value of a reporting unit or an indefinite-lived intangible asset is below its carrying amount.

As a result of its testing during the fiscal quarter ended May 31, 2011, the Company concluded no impairment charges were required as the estimated fair value of the indefinite-lived trademarks and licenses, reporting unit net assets and the Company's estimated enterprise value exceeded their respective carrying values as of the date of the evaluation.

As a result of its testing during the fiscal quarter ended May 31, 2010, the Company recorded a non-cash impairment charge of \$0.50 million (\$0.49 million after tax). The charge was related to an indefinite-lived trademark in our Personal Care segment which was written down to its fair value, determined on the basis of future discounted cash flows using the relief from royalty method.

***Other income (expense):***

Nonoperating income (expense), net, for the three- and nine-month periods ended November 30, 2011, was \$0.19 and (\$0.33) million, respectively, compared to \$0.16 and \$0.49 million, respectively, for the same periods last year.

Interest expense for the three- and nine-month periods ended November 30, 2011, was \$2.96 and \$9.65 million, respectively, compared to \$2.08 and \$6.38 million, respectively, for the same periods last year. Interest expense was higher when compared to the same periods last year primarily due to the increase in short-term and long-term debt outstanding, which was used to finance the acquisition of Kaz.

***Income tax expense:***

Income tax expense for the three- and nine-month periods ended November 30, 2011 was 15.8 and 12.7 percent, respectively, of income before income taxes compared to 8.6 and 9.4 percent, respectively, the same periods last year. For the three- and nine-month periods ended November 30, 2011 the increase in the effective tax rate, when compared to the same periods last year, is primarily due to the impact of Kaz on the mix of income taxed in high rate jurisdictions. Since Kaz was acquired on December 31, 2010, its operating results are not included in the



comparable periods for last year.

In April 2010, the IRS concluded its audits of the 2007 and 2008 consolidated U.S. federal tax returns for Helen of Troy Texas Corporation. No adjustments were made to either year's tax returns. The U.S. federal income tax returns of Kaz and its subsidiaries for tax years 2003, 2004, 2006, 2007, and 2008 are currently under examination. The IRS has issued a notice of proposed adjustment for the 2006 tax year, which is currently under appeal. The Company is protesting the adjustments and believes that the potential impact of any adjustments sustained at appeal will not have a material impact on our results of operations or financial position, as the proposed adjustments relate to a tax receivable that was not acquired in the purchase of Kaz.

In November and December 2011, the Company received additional notices of proposed permanent adjustments related to Kaz's 2007 and 2008 tax years that would increase tax expense by \$0.52 and \$1.1 million, respectively. The Company also received notices of proposed timing adjustments related to the Kaz 2007 and 2008 tax years that would increase taxes payable and deferred tax assets by \$0.51 and \$2.51 million, respectively. The Company is currently evaluating the merits of the adjustments, but does not expect them to have a material impact on our results of operations or financial position. The IRS has not proposed any other adjustments for the other tax years under examination.

**Net income:**

Our net income was \$32.88 and \$81.08 million for the three- and nine-month periods ended November 30, 2011, respectively, compared to \$27.06 and \$68.92 million for the same periods last year, representing period-over-period net income increases of 21.5 and 17.6 percent, respectively. Our diluted earnings per share was \$1.04 and \$2.56 for the three- and nine-month periods ended November 30, 2011, respectively, compared to \$0.86 and \$2.20, for the same periods last year.

**FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

Selected measures of our liquidity and capital utilization for the nine-month periods ended November 30, 2011 and 2010 are shown below:

**SELECTED MEASURES OF OUR LIQUIDITY AND CAPITAL UTILIZATION**

	<b>Nine Months Ended November 30,</b>	
	<b>2011</b>	<b>2010</b>
Accounts Receivable Turnover (Days) (1)	<b>62.9</b>	68.0
Inventory Turnover (Times) (1)	<b>3.0</b>	2.7
Working Capital ( <i>in thousands</i> )	<b>\$229,298</b>	\$219,518
Current Ratio	<b>1.7 : 1</b>	2.3 : 1
Debt to Equity Ratio (2)	<b>32.5%</b>	20.0%
Return on Average Equity (1)	<b>14.9%</b>	14.1%

(1) Accounts receivable turnover, inventory turnover and return on average equity computations use 12-month trailing sales, cost of sales or net income components as required by the particular measure. The current and four prior quarters' ending balances of accounts receivable, inventory and equity are used for the purposes of computing the average balance component as required by the particular measure.

(2) Debt is defined as all debt outstanding at the balance sheet date. This includes the sum of the following lines on our consolidated balance sheets: Revolving line of credit, Long-term debt, current maturities and Long-term debt, excluding current maturities.

**Operating activities:**

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Operating activities provided \$56.17 million of cash during the first nine months of fiscal 2012, compared to \$33.60 million of cash provided during the same period in fiscal 2011. The increase in operating cash flow was primarily due to the timing of fluctuations in working capital components, in addition to an increase in net income of \$12.15 million and depreciation and amortization of \$8.65 million for the nine months ended November 30, 2011, when compared to the same period last year.

Accounts receivable increased \$40.82 million to \$229.22 million as of November 30, 2011, compared to \$188.40 million at the end of fiscal 2011. The increase is due to normal seasonal fluctuations in sales and collection activity. Accounts receivable turnover improved to 62.9 days at November 30, 2011 from 68.0 days at November 30, 2010. This calculation is based on a rolling five quarter accounts receivable balance.

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Inventories increased \$34.53 million to \$251.76 million as of November 30, 2011, compared to \$217.23 million at the end of fiscal 2011. Inventory turnover was 3.0 times at November 30, 2011 compared to 2.7 times at November 30, 2010. The change in inventories reflects a normal seasonal pattern expected during our heavy shipping season, which typically begins in early August and continues through early December.

Working capital was \$229.30 million at November 30, 2011, compared to \$219.52 million at November 30, 2010. Our current ratio decreased to 1.7:1 at November 30, 2011, compared to 2.3:1 at November 30, 2010. The decrease in our working capital and current ratio was primarily due to a net decrease in cash and increase in overall short-term debt obligations as a result of the use of cash on hand and our revolving line of credit to fund the Kaz acquisition.

### ***Investing activities:***

Investing activities provided \$12.72 million of cash during the nine months ended November 30, 2011. Highlights of those activities follow:

- We spent \$3.04 million on molds and tooling, \$6.76 million on information technology infrastructure, \$0.45 million on distribution equipment and \$0.27 million on the development of new patents.
- We sold a facility in Hudson, New York yielding net proceeds to us of \$1.00 million.
- We sold or redeemed \$3.25 million of ARS at par. In addition, in November 2011, we settled the sale of the remaining portfolio of ARS for \$18.05 million, or approximately 96 percent of par.
- We sold \$1.17 million of interests in mutual funds.

### ***Financing activities:***

Financing activities used \$60.66 million of cash during the nine months ended November 30, 2011. Highlights of those activities follow:

- We had draws of \$809.45 million against our line of credit.
- We repaid \$810.45 million drawn against our line of credit.

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- We repaid \$53.00 million of long-term debt.
- Employees and certain members of our Board of Directors exercised options to purchase 175,805 shares of common stock, providing \$2.26 million of cash, including related tax benefits.
- On July 7, 2011, our Chief Executive Officer tendered 1,016,227 shares of common stock having a market value of \$36.52 million as payment for the exercise price and related federal tax obligations arising from the exercise of stock options to purchase 1,625,000 shares of common stock. The exercise of these options required \$12.55 million to pay related federal income tax obligations and generated \$3.15 million in current tax benefits.
- Purchases of common stock through our employee stock purchase plan provided \$0.50 million of cash.

***Revolving Line of Credit Agreement and Other Debt Agreements:***

On December 30, 2010, we entered into a Credit Agreement (the "2010 RCA") with Bank of America, N.A. that provides for an unsecured revolving commitment of up to \$150.00 million. In connection with the acquisition of the PUR home water filtration business, the Company amended the 2010 RCA on December 15, 2011. The amendment increased the amount of borrowings available under the revolving commitment from \$150.00 million to \$250.00 million, subject to the terms and limitations described below. The commitment under the 2010 RCA terminates on December 30, 2015. Borrowings under the 2010 RCA accrue interest at a Base Rate plus a margin of 0.25 to 1.375 percent per annum based on the Leverage Ratio (as defined in the 2010 RCA) at the time of borrowing. The base rate is equal to the highest of the Federal Funds Rate (as defined in the 2010 RCA) plus 0.50 percent, Bank of America's prime rate or the one month LIBOR rate plus 1.00 percent. Alternatively, if we elect, borrowings accrue interest based on the respective 1-, 2-, 3-, or 6-month LIBOR rate plus a margin of 1.25 to 2.375 percent per annum based upon the Leverage Ratio at the time of the borrowing. We incur loan commitment fees at a rate ranging from 0.30 to 0.50 percent per annum on the unused balance of the 2010 RCA. We incur letter of credit fees under the 2010 RCA at a rate ranging from 1.25 to 2.375 percent per annum on the face value of any letter of credit. Outstanding letters of credit reduce the borrowing availability under the 2010 RCA on a dollar-for-dollar basis. The 2010 RCA and our other debt are unconditionally guaranteed, on a joint and several basis, by the Company and certain of its subsidiaries. As of November 30, 2011, there were \$70.00 million in revolving loans and \$0.34 million of open letters of credit outstanding against the 2010 RCA. For the three- and nine-month periods ended November 30, 2011, borrowings under the 2010 RCA incurred interest charges at rates ranging from 1.94 to 4.00 percent. As of November 30, 2011, the amount available for borrowings under the 2010 RCA was \$79.66 million.

On January 12, 2011, the Company and certain of its subsidiaries entered into a Note Purchase Agreement which provided for the issuance and sale of \$100.00 million of 3.90 percent Senior Notes of Helen of Troy, L.P. (the "borrower"), due January 12, 2018 (the "Notes"). The borrower's obligations under the Notes are unsecured, and all obligations under the Note Purchase Agreement and the Notes were unconditionally guaranteed, on a joint and several basis, by the Company and certain of its subsidiaries. The Company used the proceeds of the Notes to repay all outstanding borrowings under a term loan credit agreement dated December 30, 2010 with Bank of America, N.A. that was used as short-term bridge financing for the Kaz acquisition. The Notes bear interest, payable semi-annually in arrears on January 12 and July 12 of each year at a rate of 3.90 percent per annum. The first interest payment was made on July 12, 2011. Principal payments of \$20.00 million (or, if applicable, such lesser principal amount then outstanding) are due on January 12, 2014 and each anniversary thereafter through January 12, 2017, with the remaining outstanding balance due at maturity. The borrower may redeem the Notes, in whole or in part, at any time, at a price equal to 100 percent of their principal amount, plus accrued and unpaid interest and a "make-whole" premium.

In addition to the Notes and the 2010 RCA, at November 30, 2011, we had an aggregate principal balance of \$78.00 million of term debt with varying maturities due through June 2014.

All of our debt is unconditionally guaranteed, on a joint and several basis, by the Company and certain of its subsidiaries. Our debt agreements require the maintenance of certain financial covenants, including a maximum leverage ratio, a minimum interest coverage ratio and a minimum consolidated net worth. Our debt agreements also contain customary events of default, including failure to pay principal or interest when due, among others. Our debt agreements are cross-defaulted to each other. Upon an event of default under our debt agreements, the holders or lenders may, among other things, accelerate the maturity of any amounts outstanding under our debt.

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The table below provides the formulas for certain key financial covenants as defined in our various debt agreements:

Applicable Financial Covenant	2010 RCA	\$75 Million Floating Rate Senior Notes	\$100 Million 3.90% Fixed Rate Senior Notes and \$3 Million 7.24% Fixed Rate Senior Notes
<b>Minimum Consolidated Net Worth</b>	\$530 Million + 100% of Increase in Equity Due to Sale of Equity Interests After August 31, 2010  +  40% of Fiscal Quarter Net Earnings After August 31, 2010 (1)	\$260 Million  +  25% of Fiscal Quarter Net Earnings After February 29, 2004 (1)	\$500 Million  +  25% of Fiscal Quarter Net Earnings After November 30, 2010 (1)
<b>Interest Coverage Ratio</b>	EBIT (2)  ÷  Interest Expense (2)  Minimum Required: 3.00 to 1.00	None	EBIT (2)  ÷  Interest Expense (2)  Minimum Required: 2.50 to 1.00
<b>Maximum Leverage Ratio</b>	Total Current and Long Term Debt (3)  ÷  [EBITDA (2) + Pro Forma Effect of Acquisitions]  Maximum Allowed: 3:00 to 1:00	Total Current and Long Term Debt (3)  ÷  Total Capitalization (3)  Maximum Allowed: 55%	Total Current and Long Term Debt (3)  ÷  [ EBITDA (2) + Pro Forma Effect of Acquisitions ]  Maximum Allowed: 3:25 to 1:00

**Key Definitions:**

EBIT:	Earnings Before Non-Cash Charges, Interest Expense and Taxes
EBITDA:	EBIT + Depreciation and Amortization Expense + Share Based Compensation
Total Capitalization:	Total Current and Long Term Debt + Total Equity
Pro Forma Effect of Acquisitions:	For any acquisition, pre-acquisition EBITDA of the acquired business is included so that the EBITDA of the acquired business included in the computation equals its twelve month trailing total.

**Notes:**

- (1) Excluding any fiscal quarter net losses.
- (2) Computed using totals for the latest reported four consecutive fiscal quarters.
- (3) Computed using the ending balances as of the latest reported fiscal quarter.

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Additionally, our debt agreements contain other customary covenants, including, among other things, covenants restricting the Company, except under certain conditions set forth therein, from (1) incurring debt, (2) incurring liens on any of its properties, (3) making certain types of investments, (4) selling certain assets or making other fundamental changes relating to mergers and consolidations, and (5) limit our ability to repurchase shares of our common stock and pay dividends. As of November 30, 2011, our debt agreements effectively limited our ability to incur more than \$250.43 million of additional debt from all sources, including draws on the 2010 RCA, and we were currently in compliance with the terms of our debt agreements. In connection with the completion of the PUR acquisition, on December 30, 2011, we received \$160.00 million of new advances under the 2010 RCA. After giving pro forma effect to the PUR acquisition and 2010 RCA amendment as if they had occurred on November 30, 2011, our debt agreements would have effectively limited our ability to incur additional debt from all sources to approximately \$195.43 million.



**Contractual obligations and commercial commitments:**

Our contractual obligations and commercial commitments, at November 30, 2011, were:

**PAYMENTS DUE BY PERIOD - TWELVE MONTHS ENDED NOVEMBER 30:**

(in thousands)

	Total	2012 1 year	2013 2 years	2014 3 years	2015 4 years	2016 5 years	After 5 years
Term debt - fixed rate	\$ 103,000	\$ 3,000	\$ -	\$ 20,000	\$ 20,000	\$ 20,000	\$ 40,000
Term debt - floating rate (1)	75,000	-	-	75,000	-	-	-
Long-term incentive plan payouts	6,115	3,161	2,072	882	-	-	-
Interest on fixed rate debt	16,193	4,038	3,900	3,211	2,431	1,651	962
Interest on floating rate debt (1)	11,795	4,583	4,570	2,642	-	-	-
Open purchase orders	192,117	192,117	-	-	-	-	-
Minimum royalty payments	93,636	15,188	14,011	12,240	9,589	5,790	36,818
Advertising and promotional	68,048	7,859	5,600	5,248	5,388	5,576	38,377
Operating leases	17,559	4,321	3,714	3,277	2,788	1,194	2,265
Capital spending commitments	3,899	3,899	-	-	-	-	-
Total contractual obligations (2)	\$ 587,362	\$ 238,166	\$ 33,867	\$ 122,500	\$ 40,196	\$ 34,211	\$ 118,422

(1) The Company uses an interest rate hedge agreement (the swap) in conjunction with its unsecured floating interest rate, \$75.00 million, 10 year Senior Notes. The swap hedges the variable LIBOR rates used to reset the floating rates on these Senior Notes. The swap effectively fixes the interest rates on the 10 year Senior Notes at 6.01 percent. Accordingly, the future interest obligations related to this debt have been estimated using this rate.

(2) In addition to the contractual obligations and commercial commitments in the table above, as of November 30, 2011, we have recorded a provision for our uncertain tax positions of \$13.75 million. We are unable to reliably estimate the timing of future payments, if any, related to uncertain tax positions; therefore, we have excluded these tax liabilities from the table above.

In addition to the contractual obligations and commercial commitments set forth above, on September 13, 2011, the Company entered into an Amended and Restated Employment Agreement with Gerald J. Rubin, our Chief Executive Officer and President (the Revised Employment Agreement). The Revised Employment Agreement became effective as of October 11, 2011 and will continue until February 28, 2015, subject to earlier termination by either party. The Revised Employment Agreement provides that Mr. Rubin is eligible to receive an annual base salary of \$600,000 and an annual bonus payable in cash, restricted stock and restricted stock units based upon achieving certain performance measures. The Revised Employment Agreement becomes effective with respect to incentive compensation for fiscal year 2013. Incentive compensation under the Revised Employment Agreement is performance-based using new performance measures. We are currently unable to estimate the impact upon Mr. Rubin's incentive compensation under the Revised Employment Agreement for any period following fiscal 2012.

**Off-balance sheet arrangements:**

We have no existing activities involving special purpose entities or off-balance sheet financing.

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***Current and future capital needs:***

Based on our current financial condition and current operations, we believe that cash flows from operations and available financing sources will continue to provide sufficient capital resources to fund our foreseeable short- and long-term liquidity requirements. We expect our capital needs to stem primarily from the need to purchase sufficient levels of inventory and to carry normal levels of accounts receivable on our balance sheet. In addition, we continue to evaluate acquisition opportunities on a regular basis and may augment our internal growth with acquisitions of complementary businesses or product lines. We may finance acquisition activity with available cash, the issuance of common stock, additional debt or other sources of financing, depending upon the size and nature of any such transaction and the status of the capital markets at the time of such acquisition.

The Company may elect to repurchase additional common stock from time to time based upon its assessment of its liquidity position and market conditions at the time, and subject to limitations contained in its debt agreements. For additional information, see Part II, Item 2. Unregistered Sales of Equity Securities and Use of Proceeds in this report.

### **CRITICAL ACCOUNTING POLICIES**

The SEC defines critical accounting policies as those that are both most important to the portrayal of a company's financial condition and results, and require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. For a discussion of our critical accounting policies, see Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, under the heading "Critical Accounting Policies" in our annual report on Form 10-K for the year ended February 28, 2011. There have been no material changes to the Company's critical accounting policies from the information provided in our Form 10-K.

### **NEW ACCOUNTING PRONOUNCEMENTS**

See Note 2 "New Accounting Pronouncements," to the accompanying consolidated condensed financial statements of this report, for a discussion of the status and potential impact of new accounting pronouncements.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Changes in currency exchange rates, interest rates and the liquidity of any investments we hold from time-to-time are our primary financial market risks.

#### *Foreign currency risk:*

Our functional currency is the U.S. Dollar. By operating internationally, we are subject to foreign currency risk from transactions denominated in currencies other than the U.S. Dollar ( foreign currencies ). Such transactions include sales, certain inventory purchases and operating expenses. As a result of such transactions, portions of our cash, trade accounts receivable and trade accounts payable are denominated in foreign currencies. During the three- and nine-month periods ended November 30, 2011, approximately 20 and 19 percent, respectively, of our net sales revenue were in foreign currencies. These sales were primarily denominated in British Pounds, Euros, Mexican Pesos, Canadian Dollars, Japanese Yen, Australian Dollars, Chilean Pesos, Peruvian Soles and Venezuelan Bolivares Fuertes. During the three- and nine-month periods ended November 30, 2010, approximately 16 and 13 percent, respectively, of our net sales revenue were in foreign currencies. These transactions were primarily denominated in British Pounds, Euros, Mexican Pesos, Canadian Dollars, Chilean Pesos, Peruvian Soles, and Venezuelan Bolivares Fuertes. We make most of our inventory purchases from the Far East and use the U.S. Dollar for such purchases. In our consolidated condensed statements of income, exchange gains and losses resulting from the remeasurement of foreign taxes receivable, taxes payable, deferred tax assets and deferred tax liabilities, are recognized in their respective income tax lines, and all other foreign exchange gains and losses are recognized in SG&A.

We identify foreign currency risk by regularly monitoring our foreign currency-denominated transactions and balances. Where operating conditions permit, we reduce foreign currency risk by purchasing most of our inventory with U.S. Dollars and by converting cash balances denominated in foreign currencies to U.S. Dollars.

We have historically hedged against certain foreign currency exchange rate-risk by using a series of forward contracts designated as cash flow hedges to protect against the foreign currency exchange risk inherent in our forecasted transactions denominated in currencies other than the U.S. Dollar. In these transactions, we execute a forward currency contract that will settle at the end of a forecasted period. Because the size and terms of the forward contract are designed so that its fair market value will move in the opposite direction and approximate magnitude of the underlying foreign currency's forecasted exchange gain or loss during the forecasted period, a hedging relationship is created. To the extent that we forecast the expected foreign currency cash flows from the period we enter into the forward contract until the date it will settle with reasonable accuracy, we significantly lower or materially eliminate a particular currency's exchange risk exposure over the life of the related forward contract. We enter into these types of agreements where we believe we have meaningful exposure to foreign currency exchange risk and the hedge pricing appears reasonable. It is not practical for us to hedge all our exposures, nor are we able to project in any meaningful way the possible effect and interplay of all foreign currency fluctuations on translated amounts or future earnings. This is due to our constantly changing exposure to various currencies, the fact that each foreign currency reacts differently to the U.S. Dollar and the significant number of currencies involved. Accordingly, we will always be subject to foreign exchange rate-risk on exposures we have not hedged, and these risks may be material. We do not enter into any forward exchange contracts or similar instruments for trading or other speculative purposes. We expect that as currency market conditions warrant, and our foreign denominated transaction exposure grows, we will continue to execute additional contracts in order to hedge against certain potential foreign exchange losses.

#### *Interest rate risk:*

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Interest on our long-term debt outstanding as of November 30, 2011 is both floating and fixed. Fixed rates are in place on \$103.00 million of Senior Notes at rates ranging from 3.90 to 7.24 percent and floating rates are in place on \$70.00 million in advances against our 2010 RCA and \$75.00 million of Senior Notes. If short-term interest rates increase, we will incur higher interest rates on any outstanding balances under the 2010 RCA. The floating rate Senior Notes reset, as described in Note 13, and have been effectively converted to fixed rate debt using an interest rate swap, as described below.

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Our levels of debt, certain additional draws against the 2010 RCA (whose interest rates can vary with the term of each draw) and the uncertainty regarding the level of future interest rates increase our risk profile. We manage a portion of our floating rate debt using an interest rate swap (the swap). As of November 30, 2011, we had a swap that converted an aggregate notional principal of \$75.00 million from floating interest rate payments under our 10 year Senior Notes to fixed interest rate payments at 6.01 percent. In the swap transaction, we maintain contracts to pay fixed rates of interest on an aggregate notional principal amount of \$75.00 million at a rate 5.11 percent on our 10 year Senior Notes, while simultaneously receiving floating rate interest payments set at 0.37 percent as of November 30, 2011 on the same notional amounts. The fixed rate side of the swap will not change over the life of the swap. The floating rate payments are reset quarterly based on three month LIBOR. The resets are concurrent with the interest payments made on the underlying debt. Changes in the spread between the fixed rate payment side of the swap and the floating rate receipt side of the swap offset 100 percent of the change in any period of the underlying debt's floating rate payments. The swap is used to reduce the Company's risk of increased interest costs; however, when interest rates drop significantly below the swap rate, we lose the benefit that our floating rate debt would provide, if not managed with a swap. The swap is considered 100 percent effective.

The following table summarizes the fair values of our various derivative instruments at November 30, 2011 and February 28, 2011:

## FAIR VALUES OF DERIVATIVE INSTRUMENTS IN THE CONSOLIDATED BALANCE SHEETS

(in thousands)

November 30, 2011

Designated as hedging instruments	Hedge Type	Final Settlement Date	Notional Amount	Derivative Assets, Current	Derivative Assets, Noncurrent	Accrued Expenses and Other Current Liabilities	Derivative Liabilities, Noncurrent
Foreign currency contracts - sell Pounds	Cash flow	2/2012	£ 4,000	\$ 94	\$ -	\$ -	\$ -
Foreign currency contracts - sell Canadian	Cash flow	12/2012	\$ 9,000	45	23	-	-
Foreign currency contracts - sell Euros	Cash flow	2/2012	2,000	-	-	95	-
Subtotal				139	23	95	-
Interest rate swap	Cash flow	6/2014	\$ 75,000	-	-	3,468	5,707
Total fair value				\$ 139	\$ 23	\$ 3,563	\$ 5,707

February 28, 2011

Designated as hedging instruments	Hedge Type	Final Settlement Date	Notional Amount	Derivative Assets, Current	Derivative Assets, Noncurrent	Accrued Expenses and Other Current Liabilities	Derivative Liabilities, Noncurrent
Foreign currency contracts - sell Pounds	Cash flow	2/2012	£ 7,000	\$ -	\$ -	\$ 197	\$ -
Foreign currency contracts - sell Canadian	Cash flow	12/2012	\$ 13,000	-	-	208	191
Foreign currency contracts - sell Euros	Cash flow	2/2012	5,000	-	-	374	-
Subtotal				-	-	779	191
Interest rate swaps	Cash flow	6/2014	\$ 125,000	-	-	3,785	5,840
Total fair value				\$ -	\$ -	\$ 4,564	\$ 6,031

*Counterparty credit risk:*

Financial instruments, including foreign currency contracts and interest rate swaps, expose us to counterparty credit risk for non-performance. We manage our exposure to counterparty credit risk through only dealing with counterparties who are substantial international financial institutions with significant experience using such derivative instruments. Although our theoretical credit risk is the replacement cost at the then- estimated fair value of these instruments, we believe that the risk of incurring credit risk losses is remote.



**Risks inherent in cash, cash equivalents and investment holdings:**

Our cash, cash equivalents and investments are subject to interest rate risk, credit risk and liquidity risk. Cash consists of both interest bearing and non-interest bearing disbursement or short-term investment accounts. Cash equivalents consist of commercial paper and money market investment accounts. Investments consist of BAA3 to AAA rated ARS and mutual funds. The following table summarizes our cash, cash equivalents and investments we held at November 30, 2011 and February 28, 2011:

**CASH, CASH EQUIVALENTS AND INVESTMENTS***(in thousands)*

	November 30, 2011		February 28, 2011	
	Carrying Amount	Range of Interest Rates	Carrying Amount	Range of Interest Rates
Cash and cash equivalents				
Cash, interest and non-interest-bearing accounts - unrestricted	\$ 31,171	0.00 to 1.70%	\$ 16,587	0.00 to 1.60%
Cash, interest and non-interest-bearing accounts - restricted	2,114	0.00 to 1.25%	2,611	0.00 to 1.25%
Commercial paper	-	-	1,560	0.13%
Money market funds	2,134	0.01 to 4.92%	6,435	0.03 to 3.27%
Total cash and cash equivalents	\$ 35,419		\$ 27,193	
Investments:				
Auction rate securities	\$ -	-	\$ 20,711	1.76 to 8.47%
Mutual funds, principally equity based	-	-	1,233	
Total investments	\$ -		\$ 21,944	

Our cash balances at November 30, 2011 and February 28, 2011 include restricted cash of \$2.11 and \$2.61 million, respectively, denominated in Venezuelan Bolivares Fuertes, shown above under the heading Cash, interest and non-interest-bearing accounts restricted. The balances arise from our operations within the Venezuelan market. Until we are able to repatriate cash from Venezuela, we intend to use these cash balances in-country to continue to fund operations. We do not otherwise rely on these restricted funds as a source of liquidity.

At November 30, 2011, most of our cash equivalents are in money market accounts; therefore, we believe there is no material interest rate, credit or liquidity risk. During the fiscal quarter ended November 30, 2011, we liquidated all our mutual fund holdings paying out all proceeds in satisfaction of an associated Kaz deferred compensation plan.

At February 28, 2011, we held investments in ARS collateralized by student loans (with underlying maturities from 18 to 35 years). Substantially all of the collateral was guaranteed by the U.S. government under the Federal Family Education Loan Program. Liquidity for these securities was normally dependent on an auction process that reset the applicable interest rate at pre-determined intervals, ranging from 7 to 35 days. Beginning in February 2008, the auctions for the ARS held by us and others were unsuccessful, requiring us to hold them beyond their typical auction reset dates. Auctions fail when there is insufficient demand. However, this did not represent a default by the issuer of the security agreement. Our subsequent valuation of the securities was based on the assumption that they continued to accrue interest until one of the following occurred: the auction succeeded; the issuer called the securities; or the securities matured. On September 15, 2011, the Company entered into an agreement to sell its then remaining portfolio of \$18.90 million par value ARS for approximately 96 percent of par. The transaction settled in the fiscal quarter ended November 30, 2011.



### INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

Certain written and oral statements made by our Company and subsidiaries of our Company may constitute forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. This includes statements made in this report, in other filings with the SEC, in press releases, and in certain other oral and written presentations. Generally, the words anticipates, believes, expects, plans, may, will, seeks, estimates, project, predict, potential, continue, intends, and other similar words identify forward-looking statements. All statements address operating results, events or developments that we expect or anticipate will occur in the future, including statements related to sales, earnings per share results and statements expressing general expectations about future operating results, are forward-looking statements and are based upon the Company's current expectations and various assumptions. The Company believes there is a reasonable basis for its expectations and assumptions, but there can be no assurance that the Company will realize its expectations or that the Company's assumptions will prove correct. Forward-looking statements are subject to risks that could cause them to differ materially from actual results. Accordingly, the Company cautions readers not to place undue reliance on forward-looking statements. We believe that these risks include, but are not limited to, the risks described in Part 1, Item 1A. Risk Factors of our annual report on Form 10-K for the year ended February 28, 2011 and risks otherwise described from time-to-time in our SEC reports as filed. Such risks, uncertainties and other important factors include, among others:

- the departure and recruitment of key personnel;
- our ability to deliver products to our customers in a timely manner and according to their fulfillment standards;
- our projections of product demand, sales and net income (including the Company's guidance for Kaz's net sales revenue and the expectation that the acquisition will be accretive) are highly subjective in nature and future sales and net income could vary in a material amount from such projections;
- expectations regarding the acquisitions of Kaz and PUR, and any other future acquisitions, including our ability to realize anticipated cost savings, synergies and other benefits along with our ability to effectively integrate acquired businesses;
- our relationship with key customers and licensors;
- the costs of complying with the business demands and requirements of large sophisticated customers;
- our dependence on foreign sources of supply and foreign manufacturing, and associated operational risks including but not limited to long lead times, consistent local labor availability and capacity, and timely availability of sufficient shipping carrier capacity;
- the impact of changing costs of raw materials and energy on cost of goods sold and certain operating expenses;

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- circumstances which may contribute to future impairment of goodwill, intangible or other long-lived assets;
- the risks associated with the use of trademarks licensed from third parties;
- our dependence on the strength of retail economies and vulnerabilities to a prolonged economic downturn;
- our ability to develop and introduce a continuing stream of new products to meet changing consumer preferences;
- disruptions in U.S. and international credit markets;
- foreign currency exchange rate fluctuations;
- trade barriers, exchange controls, expropriations and other risks associated with foreign operations;
- our leverage and the constraints it may impose on our ability to manage our cash resources and operate our business;
- the costs, complexity and challenges of upgrading and managing our global information systems;
- the risks associated with tax audits and related disputes with taxing authorities;

- the risks of potential changes in laws, including tax laws and the complexities of compliance with such laws; and
- our ability to continue to avoid classification as a controlled foreign corporation.

We undertake no obligation to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **DISCLOSURE CONTROLS AND PROCEDURES**

Our management, under the supervision and with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), maintains disclosure controls and procedures as defined in Rules 13a-15(e) under the Exchange Act that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosures. Because of inherent limitations, disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of disclosure controls and procedures are met.

Our management, including our CEO and CFO, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the fiscal quarter ended November 30, 2011. In conducting our evaluation of the effectiveness of internal control over financial reporting, we have excluded the assets and liabilities and results of operations of Kaz, which we acquired on December 31, 2010, in accordance with the Securities and Exchange Commission's guidance concerning the reporting of internal controls over financial reporting in connection with a material acquisition. The assets resulting from this acquisition constituted approximately 32.9 percent of consolidated assets as of November 30, 2011, 38.0 and 36.3 percent of consolidated net sales revenue, respectively, and 32.3 and 20.1 percent of consolidated operating income, respectively, for the three- and nine-month periods ended November 30, 2011. Based upon that evaluation, which excluded the internal control over financial reporting of Kaz, the CEO and CFO concluded that our disclosure controls and procedures were effective at a reasonable level of assurance as of November 30, 2011, the end of the periods covered by this quarterly report on Form 10-Q.

### **CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

In connection with the evaluation described above, we identified no change in our internal control over financial reporting as defined in Rule 13a-15(f) that occurred during our fiscal quarter ended November 30, 2011, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

We are involved in various legal claims and proceedings in the normal course of operations. We believe the outcome of these matters will not have a material adverse effect on our consolidated financial position, results of operations or liquidity.

**ITEM 1A. RISK FACTORS**

The ownership of our common stock involves a number of risks and uncertainties. When evaluating the Company and our business before making an investment decision regarding our securities, potential investors should carefully consider the risk factors and uncertainties described in Part 1, Item 1A. Risk Factors of our annual report on Form 10-K for the fiscal year ended February 28, 2011. Since the filing of our annual report on Form 10-K, there have been no material changes in our risk factors from those disclosed therein.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

On October 11, 2011, our Board of Directors approved a resolution to add 3,000,000 shares to the then existing shares of common stock authorized for repurchase, in open market or through private transactions. On October 31, 2011 our Board of Directors approved a resolution to extend the repurchase program through October 31, 2014. Under this program, as of November 30, 2011, we are authorized to purchase up to 3,120,039 shares of common stock in the open market or through private transactions. During the three- and nine-month periods ended November 30, 2011, there was no open market repurchase activity.

During the three-month period ended November 30, 2011, employees tendered 6,616 shares of common stock having an aggregate market value of \$0.19 million, or an average of \$28.23 per share, as payment for the exercise price arising from the exercise of options. During the nine-month period ended November 30, 2011, certain members of our Board of Directors and employees tendered 56,651 shares of common stock having an aggregate market value of \$1.85 million, or an average of \$32.66 per share, as payment for the exercise price arising from the exercise of options. In addition, on July 7, 2011, our Chief Executive Officer tendered 1,016,227 shares of common stock having a market value of \$36.52 million as payment for the exercise price and related federal tax obligations arising from the exercise of stock options to purchase 1,625,000 shares of common stock. We accounted for this activity as a purchase and retirement of the shares. The following schedule sets forth the purchase activity for the three months ended November 30, 2011.

**ISSUER PURCHASES OF EQUITY SECURITIES FOR THE THREE MONTHS ENDED NOVEMBER 30, 2011**

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced</b>	<b>Maximum Number of Shares that May Yet Be Purchased Under the Plans</b>
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			<b>Plans or Programs</b>	<b>or Programs</b>
<b>September 1 through September 30, 2011</b>	1,073	\$24.88	1,073	125,582
<b>October 1 through October 31, 2011</b>	1,864	28.86	1,864	3,123,718
<b>November 1 through November 30, 2011</b>	3,679	28.90	3,679	3,120,039
<b>Total</b>	<b>6,616</b>	<b>\$28.23</b>	<b>6,616</b>	

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**ITEM 6. EXHIBITS**

(a) Exhibits

- 10.1 Amended and Restated Employment Agreement between Helen of Troy Nevada Corporation, Helen of Troy Limited and Gerald J. Rubin, dated September 13, 2011 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 16, 2011).
- 10.2 \* Helen of Troy Limited 2008 Stock Incentive Plan, as amended.
- 10.3 Helen of Troy Limited 2011 Annual Incentive Plan (incorporated by reference to Appendix B to the Company's Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on September 14, 2011).
- 31.1\* Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2\* Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32\* Joint certification of the Chief Executive Officer and the 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\*\* The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 2011 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows, and (iv) related notes to these financial statements.

Management contracts or compensatory plans or arrangements.

\* Filed herewith.

\*\* Furnished herewith. With respect to Exhibit 101, as provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

**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.

HELEN OF TROY LIMITED  
(Registrant)

Date: January 6, 2012

/s/ Gerald J. Rubin  
Gerald J. Rubin  
Chairman of the Board, Chief  
Executive Officer, President, Director  
and Principal Executive Officer

Date: January 6, 2012

/s/ Thomas J. Benson  
Thomas J. Benson  
Senior Vice-President  
and Chief Financial Officer

Date: January 6, 2012

/s/ Richard J. Oppenheim  
Richard J. Oppenheim  
Financial Controller  
and Principal Accounting Officer

**Index to Exhibits**

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