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POLO RALPH LAUREN CORP  
Form 10-Q  
February 12, 2002

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED DECEMBER 29, 2001

OR

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

COMMISSION FILE NUMBER 001-13057

POLO RALPH LAUREN CORPORATION  
(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

13-2622036  
(I.R.S. Employer  
Identification No.)

650 MADISON AVENUE, NEW YORK, NEW YORK  
(Address of principal executive offices)

10022  
(Zip Code)

Registrant's telephone number, including area code 212-318-7000

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 registrants were required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

At February 8, 2001, 31,948,651 shares of the registrant's Class A Common Stock, \$.01 par value, were outstanding, 43,280,021 shares of the registrant's Class B Common Stock, \$.01 par value, were outstanding and 22,720,979 shares of the registrant's Class C Common Stock, \$.01 par value were outstanding.

POLO RALPH LAUREN CORPORATION

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PART 1. FINANCIAL INFORMATION

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Consolidated Balance Sheets as of December 29, 2001

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## POLO RALPH LAUREN CORPORATION AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	DECEMBER 29, 2001	MARCH 31, 2001
	-----	-----
	(UNAUDITED)	
ASSETS		
Current assets		
Cash and cash equivalents	\$294,569	\$102,219
Accounts receivable, net of allowances of \$9,187 and \$12,090	245,615	269,010
Inventories	355,152	425,594
Deferred tax assets	34,276	31,244
Prepaid expenses and other	43,006	73,654
	-----	-----
TOTAL CURRENT ASSETS	972,618	901,721
Property and equipment, net	334,821	328,929
Deferred tax assets	63,179	61,056
Goodwill, net	280,760	249,391
Other assets, net	90,367	84,996
	-----	-----
	\$1,741,745	\$1,626,093
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short term bank borrowings	\$ 73,920	\$ 86,112
Accounts payable	195,255	178,293
Income taxes payable	36,940	-
Accrued expenses and other	96,816	175,172
	-----	-----
TOTAL CURRENT LIABILITIES	402,931	439,577

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Long-term debt	298,033	296,988
Other noncurrent liabilities	93,391	80,219
Stockholders' equity		
Common Stock		
Class A, par value \$.01 per share;		
500,000,000 shares authorized;		
35,688,098 and 34,948,730 shares issued	356	349
Class B, par value \$.01 per share;		
100,000,000 shares authorized;		
43,280,021 shares issued and outstanding	433	433
Class C, par value \$.01 per share;		
70,000,000 shares authorized;		
22,720,979 shares issued and outstanding	227	227
Additional paid-in-capital	479,823	463,001
Retained earnings	554,489	430,047
Treasury Stock, Class A, at cost (3,876,506		
and 3,771,806 shares)	(73,246)	(71,179)
Accumulated other comprehensive loss	(12,250)	(10,529)
Unearned compensation	(2,442)	(3,040)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	947,390	809,309
	-----	-----
	\$1,741,745	\$1,626,093
	=====	=====

See accompanying notes to consolidated financial statements.

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## POLO RALPH LAUREN CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS (IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA) (UNAUDITED)

	THREE MONTHS ENDED	
	DECEMBER 29, 2001	DECEMBER 30, 2000
Net sales	\$560,293	\$555,650
Licensing revenue	56,802	58,090
	-----	-----
NET REVENUES	617,095	613,740
Cost of goods sold	330,086	316,220
	-----	-----
GROSS PROFIT	287,009	297,520
Selling, general and administrative expenses	212,561	208,172
Restructuring charges	-	-
	-----	-----

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INCOME FROM OPERATIONS	74,448	89,348
Foreign currency (gain)	(3,036)	-
Interest expense	4,501	5,704
	-----	-----
INCOME BEFORE INCOME TAXES	72,983	83,644
Income tax provision	27,369	33,041
	-----	-----
NET INCOME	\$45,614	\$50,603
	=====	=====
Net income per share - Basic	\$0.47	\$0.52
	=====	=====
Net income per share - Diluted	\$0.46	\$0.52
	=====	=====
Weighted average common shares outstanding - Basic	97,506,076	96,530,102
	=====	=====
Weighted average common shares outstanding - Diluted	98,504,094	97,347,194
	=====	=====

See accompanying notes to consolidated financial statements.

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## POLO RALPH LAUREN CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (IN THOUSANDS) (UNAUDITED)

	NINE MONTHS ENDED	
	DECEMBER 29, 2001	DECEMBER 29, 2000
	-----	-----
Cash flows from operating activities		
Net income	\$124,477	
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	63,234	
Deferred income taxes	(3,791)	
Provision for restructuring charges	-	
Provision for losses on accounts receivable	1,184	
Other	(274)	
Changes in assets and liabilities, net of acquisitions		
Accounts receivable, net	19,880	
Inventories	79,047	
Prepaid expenses and other	30,379	

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Other assets	1,506	
Accounts payable	4,649	
Income taxes payable, accrued expenses and other	(42,538)	
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	277,753	
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(61,052)	
Acquisition, net of cash acquired	(23,702)	
Cash surrender value - officers' life insurance	(2,315)	
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(87,069)	
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchases of common stock	(2,067)	
Proceeds from issuance of common stock	15,642	
(Repayments of) Proceeds from short term bank borrowings, net	(10,357)	
Repayments of long-term debt	(1,256)	
	-----	-----
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,962	
	-----	-----
Effect of exchange rate changes on cash	(296)	
	-----	-----
Net increase (decrease) in cash and cash equivalents	192,350	
Cash and cash equivalents at beginning of period	102,219	
	-----	-----
Cash and cash equivalents at end of period	\$294,569	
	=====	=====

See accompanying notes to consolidated financial statements.

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## POLO RALPH LAUREN CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (IN THOUSANDS) (UNAUDITED)

	NINE MONTHS ENDED	
	DECEMBER 29, 2001	DECEMBER 30, 2000
	-----	-----
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$19,410	\$26,910
	=====	=====
Cash paid for income taxes	\$33,773	\$52,870
	=====	=====

See accompanying notes to consolidated financial statements.

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POLO RALPH LAUREN CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(INFORMATION FOR DECEMBER 29, 2001 AND DECEMBER 30, 2000 IS UNAUDITED)  
(IN THOUSANDS, EXCEPT WHERE OTHERWISE INDICATED)

1 BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of Polo Ralph Lauren Corporation ("PRLC") and its wholly and majority owned subsidiaries (collectively referred to as the "Company", "we", "us", and "our"). The consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosure normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted from this report as is permitted by such rules and regulations however, the Company believes that the disclosures are adequate to make the information presented not misleading. The consolidated balance sheet data for March 31, 2001 is derived from the audited financial statements which are included in the Company's report on Form 10-K, which should be read in conjunction with these financial statements.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the consolidated financial condition, results of operations, and changes in cash flows of the Company for the interim periods presented.

2 ACQUISITIONS

On October 31, 2001, the Company completed the acquisition of substantially all of the assets of PRL Fashions of Europe SRL ("PRL Fashions" or "Italian Licensee") which held licenses to sell our women's Ralph Lauren apparel in Europe, our men's and boys' Polo Ralph Lauren apparel in Italy and men's and women's Polo Jeans Co. collections in Italy. PRL Fashions had revenues of approximately \$75.0 million for their fiscal year 2000. The purchase price of this transaction was approximately \$22.0 million in cash plus the assumption of certain liabilities and earn-out payments based on achieving profitability targets over the first three years with a guaranteed minimum annual payment of \$3.5 million each year.

Consistent with SFAS No. 141 and SFAS No. 142, this acquisition was accounted for as a purchase and the goodwill recorded will not be amortized. The assets acquired of \$15,147 and liabilities assumed of \$15,106 were recorded at estimated fair values as determined by the Company's management based on information currently available. Goodwill of approximately \$32.5 million has been recognized for the excess of the purchase price over the preliminary estimate of fair market value of the net assets acquired.

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The Company is in the process of obtaining independent appraisals of the intangible assets acquired. Accordingly, the allocation of the purchase price is subject to revision, which is not expected to be material, based on the final determination of appraised and other fair values.

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On October 22, 2001, we acquired the Polo Brussels SA store from one of our licensees. The purchase price of this transaction was approximately \$3.0 million in cash. Consistent with SFAS No. 141 and SFAS No. 142, the transaction was accounted for as a purchase and the goodwill is not being amortized. The sales and total assets were not material. The proforma effect of these two acquisitions on the historical results were not material.

### 3 RESTRUCTURING AND SPECIAL CHARGES

#### (A) 2001 OPERATIONAL PLAN

During the second quarter of Fiscal 2001, we completed an internal operational review and formalized our plans to enhance the growth of our worldwide luxury retail business, to better manage inventory and to increase overall profitability (the "Operational Plan"). The major initiatives of the Operational Plan included: refining our retail strategy; developing efficiencies in our supply chain; and consolidating corporate strategic business functions and internal processes.

In connection with refining our retail strategy, we closed all 12 Polo Jeans Co. full-price retail stores and 11 under-performing Club Monaco retail stores. Costs associated with this aspect of the Operational Plan included lease and contract termination costs, store fixed asset write downs (primarily leasehold improvements of \$21.5 million) and severance and termination benefits.

Additionally, as a result of changes in market conditions combined with our change in retail strategy in certain locations in which we operate full-price retail stores, we performed an evaluation of the recoverability of the assets of certain of these stores in accordance with Statements of Financial Accounting Standards ("SFAS") No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS TO BE DISPOSED OF. We concluded from the results of this evaluation that a significant permanent impairment of long-lived assets had occurred. Accordingly, we recorded a write down of these assets (primarily leasehold improvements) to their estimated fair value based on discounted future cash flows.

In connection with the implementation of the Operational Plan, we recorded a pretax restructuring charge of \$128.6 million in the second quarter of Fiscal 2001, subsequently adjusted for a \$5.0 million reduction of liabilities in the fourth quarter of Fiscal 2001. The activity for the nine months ended December 29, 2001, was as follows:

	SEVERANCE AND TERMINATION BENEFITS	LEASE AND CONTRACT TERMINATION COSTS	TOTAL
Balance at March 31, 2001...	\$ 2,942	\$ 4,951	\$ 7,893
2002 activity.....	(1,934)	(3,931)	(5,865)
	-----	-----	-----
Balance at December 29, 2001	\$ 1,008	\$ 1,020	\$ 2,028
	=====	=====	=====

Total severance and termination benefits as a result of the Operational Plan related to approximately 550 employees, all of whom have been terminated. Total cash outlays related to the Operational Plan are expected to be approximately \$24.7 million, \$22.7 million of which have been paid to date. We completed the implementation of the Operational Plan in Fiscal 2002 and expect to settle the remaining liabilities in accordance with contract terms which extend until Fiscal 2003.

(B) 1999 RESTRUCTURING PLAN

During the fourth quarter of Fiscal 1999, we formalized our plans to streamline operations within our wholesale and retail operations and reduce our overall cost structure ("Restructuring Plan"). The major initiatives of the Restructuring Plan included the following: (1) an evaluation of our retail operations and site locations; (2) the realignment and operational integration of our wholesale operating units; and (3) the realignment and consolidation of corporate strategic business functions and internal processes.

In connection with the implementation of the Restructuring Plan, we recorded a pretax restructuring charge of \$58.6 million in our fourth quarter of Fiscal 1999. The activity for the nine months ended December 29, 2001, was as follows:

	LEASE AND SEVERANCE AND TERMINATION BENEFITS	CONTRACT TERMINATION COSTS	TOTAL
Balance at March 31, 2001...	\$ 4,246	\$ 1,747	\$ 5,993
2002 activity.....	(2,446)	(521)	(2,967)
	-----	-----	-----
Balance at December 29, 2001	\$ 1,800	\$ 1,226	\$ 3,026
	=====	=====	=====

Total severance and termination benefits as a result of the Restructuring Plan related to approximately 280 employees, all of whom have been terminated. Total cash outlays related to the Restructuring Plan are approximately \$39.5 million, \$36.5 million of which have been paid to date. We completed the implementation of the Restructuring Plan in Fiscal 2000 and expect to settle the remaining liabilities in accordance with contract terms which extend until Fiscal 2003.

4 INVENTORIES

Inventories are valued at lower of cost (first-in, first-out, "FIFO") or market and consist of the following:

	DECEMBER 29, 2001	MARCH 31, 2001
Raw materials	\$ 2,826	\$ 7,024
Work-in-process	5,868	6,251



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Finished goods	346,458	412,319
	-----	-----
	\$ 355,152	\$ 425,594
	=====	=====

## 5 COMPREHENSIVE INCOME

For the three and nine months ended December 29, 2001 and December 30, 2000, comprehensive income was as follows:

	THREE MONTHS ENDED	
	DECEMBER 29, 2001	DECEMBER 30, 2000
Net Income	\$ 45,614	\$ 50,603
Other comprehensive income (loss), net of taxes:		
Foreign currency translation adjustments	105	(10,276)
Unrealized losses on cash flow hedge contracts, net	(4,584)	-
	-----	-----
Comprehensive Income	\$ 41,135	\$ 40,327
	=====	=====

The income tax effect related to foreign currency translation adjustments and unrealized losses on cash flow hedge contracts, net was an expense of \$2.7 million in the three months ended December 29, 2001 and a benefit of \$6.7 million in the three months ended December 30, 2000.

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	NINE MONTHS ENDED	
	DECEMBER 29, 2001	DECEMBER 30, 2000
Net Income	\$ 124,477	\$ 11,765
Other comprehensive income (loss), net of taxes:		
Foreign currency translation adjustments	817	(6,802)
Cumulative translation adjustment gains, net	4,028	-
Unrealized losses on cash flow hedge contracts, net	(6,566)	-
	-----	-----
Comprehensive Income	\$ 122,756	\$ 4,963
	=====	=====

The income tax effect related to foreign currency translation adjustments, cumulative translation adjustment gains, net and unrealized losses on cash flow hedge contracts, net was a benefit of \$1.0 million in the nine months ended December 29, 2001 and a benefit of \$4.4 million in the nine months ended December 30, 2000.

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## 6 SEGMENT REPORTING

Our operations are comprised of three reportable business segments: wholesale, retail and licensing. Our reportable segments are individual business units that offer different products and services and are managed separately because each segment requires different strategic initiatives, promotional campaigns, marketing and advertising, based upon its own individual positioning in the market. Additionally, these segments reflect the reporting basis used internally by senior management to evaluate performance and the allocation of resources.

The Company measures segment profit as income from operations before foreign currency gains and losses, interest, and taxes. Summarized below are our net revenues and income from operations for the three and nine months ended December 29, 2001 and December 30, 2000, by segment:

	THREE MONTHS ENDED	
	DECEMBER 29, 2001	DECEMBER 30, 2000
NET REVENUES:		
Wholesale	\$ 279,955	\$ 269,494
Retail	280,338	286,156
Licensing	56,802	58,090
	-----	-----
	\$ 617,095	\$ 613,740
	=====	=====

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	THREE MONTHS ENDED	
	DECEMBER 29, 2001	DECEMBER 30, 2000
INCOME FROM OPERATIONS:		
Wholesale	\$ 30,211	\$ 32,403
Retail	13,648	24,967
Licensing	30,589	31,978
	-----	-----
	\$ 74,448	\$ 89,348
	=====	=====

	NINE MONTHS ENDED	
	DECEMBER 29, 2001	DECEMBER 30, 2000
NET REVENUES:		
Wholesale	\$ 805,565	\$ 758,190
Retail	743,988	750,681
Licensing	181,066	178,383
	-----	-----
	\$1,730,619	\$1,687,254
	=====	=====
INCOME FROM OPERATIONS		
Wholesale	\$ 79,898	\$ 79,691
Retail	32,582	41,531
Licensing	101,687	101,722
	-----	-----
	214,167	222,944
Less: Unallocated		

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restructuring and non-recurring charges	-	(184,504)
	-----	-----
	\$ 214,167	\$ 38,440
	=====	=====

Summarized below are our net revenues for the three and nine months ended December 29, 2001 and December 30, 2000 and our long-lived assets as of December 29, 2001 and March 31, 2001, by geographic location:

	THREE MONTHS ENDED	
	DECEMBER 29, 2001	DECEMBER 30, 2000
NET REVENUES:		
United States	\$ 474,742	\$ 494,283
France	75,156	52,601
Other countries	67,197	66,856
	-----	-----
	\$ 617,095	\$ 613,740
	=====	=====

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	NINE MONTHS ENDED	
	DECEMBER 29, 2001	DECEMBER 30, 2000
NET REVENUES:		
United States	\$ 1,403,380	\$ 1,412,023
France	169,554	124,235
Other countries	157,685	150,996
	-----	-----
	\$ 1,730,619	\$ 1,687,254
	=====	=====

	DECEMBER 29, 2001	MARCH 31, 2001
LONG-LIVED ASSETS:		
United States	\$ 283,727	\$ 286,257
Canada	32,160	\$ 31,295
Other countries	18,934	11,377
	-----	-----
	\$ 334,821	\$ 328,929
	=====	=====

## 7 RECENTLY ISSUED PRONOUNCEMENTS

In August 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS. This Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. SFAS No. 143 is effective for the first quarter in the Fiscal year ending April 3, 2004. The Company is currently evaluating the impact of adopting this pronouncement on our consolidated results of operations.

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In October 2001, the FASB issued SFAS No. 144, ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS. This Statement addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of. SFAS No. 144 supersedes FASB Statement No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF. However, this Statement retains the fundamental provisions of Statement 121 for (a) recognition and measurement of the impairment of long-lived assets to be held and used and (b) measurement of long-lived assets to be disposed of by sale. SFAS No. 144 is effective for the first quarter in the Fiscal year ending March 29, 2003. The Company is currently evaluating the impact of adopting this pronouncement on our consolidated results of operations.

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In July 2001, the FASB issued (SFAS) No. 141, BUSINESS COMBINATIONS and SFAS No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS. In addition to requiring the use of the purchase method for all business combinations, SFAS No. 141 requires intangible assets that meet certain criteria to be recognized as assets apart from goodwill. SFAS No. 142 addresses accounting and reporting standards for acquired goodwill and other intangible assets and generally, requires that goodwill and indefinite life intangible assets no longer be amortized but be tested for impairment annually. Intangible assets that have finite lives will continue to be amortized over their useful lives. SFAS No. 141 and SFAS No. 142 are effective for our first quarter in the Fiscal year ending March 29, 2003 or for any business combinations initiated after June 30, 2001. As a result of these pronouncements, goodwill arising from the acquisitions of PRL Fashions and the Polo Brussels SA store are not being amortized. The Company is currently evaluating the impact of adopting these pronouncements on our consolidated financial position and results of operations.

In April 2001, the FASB's Emerging Issues Task Force reached a consensus on Issue No. 00-25, VENDOR INCOME STATEMENT CHARACTERISTICS OF CONSIDERATION PAID TO A RESELLER OF THE VENDOR'S PRODUCTS ("EITF No. 00-25"). EITF No. 00-25 concluded that consideration from a vendor to a reseller of the vendor's products is presumed to be a reduction of the selling prices of the vendor's products and, therefore, should be characterized as a reduction of revenue when recognized in the vendor's income statement. That presumption is overcome and the consideration characterized as a cost incurred if a benefit is or will be received from the recipient of the consideration if certain conditions are met. This pronouncement is effective for our first quarter in the Fiscal year ending March 29, 2003. The Company is currently evaluating the impact of adopting this pronouncement on our consolidated results of operations.

We adopted the provisions of SFAS No. 133 as of April 1, 2001. As of this date, we had outstanding interest rate swap agreements and forward foreign exchange contracts that qualify as cash flow hedges under SFAS No. 133. In accordance with SFAS No. 133, we recorded the fair value of these derivatives at April 1, 2001, and the resulting net unrealized gain, after taxes, of approximately \$4.0 million was recorded in other comprehensive income as a cumulative transition adjustment.

### 8 RECLASSIFICATION

Certain prior year amounts have been reclassified to conform to the current year's presentation.

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## POLO RALPH LAUREN CORPORATION

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

THE FOLLOWING DISCUSSION AND ANALYSIS SHOULD BE READ IN CONJUNCTION WITH OUR CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES THERETO WHICH ARE INCLUDED HEREIN. WE UTILIZE A 52-53 WEEK FISCAL YEAR ENDING ON THE SATURDAY NEAREST MARCH 31. FISCAL YEARS 2002 AND 2001 END ON MARCH 30, 2002 AND MARCH 31, 2001, RESPECTIVELY. DUE TO THE COLLABORATIVE AND ONGOING NATURE OF OUR RELATIONSHIPS WITH OUR LICENSEES, SUCH LICENSEES ARE REFERRED TO HEREIN AS "LICENSING PARTNERS" AND THE RELATIONSHIPS ARE REFERRED TO HEREIN AS "LICENSING ALLIANCES." NOTWITHSTANDING THESE REFERENCES, HOWEVER, THE LEGAL RELATIONSHIP BETWEEN OUR LICENSEES AND US IS ONE OF LICENSOR AND LICENSEE, AND NOT ONE OF PARTNERSHIP.

CERTAIN STATEMENTS IN THIS FORM 10-Q AND IN FUTURE FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION, IN OUR PRESS RELEASES AND IN ORAL STATEMENTS MADE BY OR WITH THE APPROVAL OF AUTHORIZED PERSONNEL CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH FORWARD-LOOKING STATEMENTS ARE BASED ON CURRENT EXPECTATIONS AND ARE INDICATED BY WORDS OR PHRASES SUCH AS "ANTICIPATE," "ESTIMATE," "EXPECT," "PROJECT," "WE BELIEVE," "IS OR REMAINS OPTIMISTIC," "CURRENTLY ENVISIONS" AND SIMILAR WORDS OR PHRASES AND INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. SUCH FACTORS INCLUDE, AMONG OTHERS, THE FOLLOWING: RISKS ASSOCIATED WITH A GENERAL ECONOMIC DOWNTURN AND OTHER EVENTS LEADING TO A REDUCTION IN DISCRETIONARY CONSUMER SPENDING; RISKS ASSOCIATED WITH IMPLEMENTING OUR PLANS TO ENHANCE OUR WORLDWIDE LUXURY RETAIL BUSINESS, INVENTORY MANAGEMENT PROGRAM AND OPERATING EFFICIENCY INITIATIVES; RISKS ASSOCIATED WITH CHANGES IN THE COMPETITIVE MARKETPLACE, INCLUDING THE INTRODUCTION OF NEW PRODUCTS OR PRICING CHANGES BY OUR COMPETITORS; CHANGES IN GLOBAL ECONOMIC OR POLITICAL CONDITIONS; RISKS ASSOCIATED WITH OUR DEPENDENCE ON SALES TO A LIMITED NUMBER OF LARGE DEPARTMENT STORE CUSTOMERS, INCLUDING RISKS RELATED TO EXTENDING CREDIT TO CUSTOMERS; RISKS ASSOCIATED WITH OUR DEPENDENCE ON OUR LICENSING PARTNERS FOR A SUBSTANTIAL PORTION OF OUR NET INCOME AND RISKS ASSOCIATED WITH A LACK OF OPERATIONAL AND FINANCIAL CONTROL OVER LICENSED BUSINESSES; RISKS ASSOCIATED WITH FINANCIAL DISTRESS OF LICENSEES, INCLUDING THE IMPACT ON OUR NET INCOME AND BUSINESS OF ONE OR MORE LICENSEE'S REORGANIZATION; RISKS ASSOCIATED WITH CONSOLIDATIONS, RESTRUCTURINGS AND OTHER OWNERSHIP CHANGES IN THE RETAIL INDUSTRY; RISKS ASSOCIATED WITH COMPETITION IN THE SEGMENTS OF THE FASHION AND CONSUMER PRODUCT INDUSTRIES IN WHICH WE OPERATE, INCLUDING OUR ABILITY TO SHAPE, STIMULATE AND RESPOND TO CHANGING CONSUMER TASTES AND DEMANDS BY PRODUCING ATTRACTIVE PRODUCTS, BRANDS AND MARKETING, AND OUR ABILITY TO REMAIN COMPETITIVE IN THE AREAS OF QUALITY AND PRICE; RISKS ASSOCIATED WITH UNCERTAINTY RELATING TO OUR ABILITY TO IMPLEMENT OUR GROWTH STRATEGIES; RISKS ASSOCIATED WITH OUR ENTRY INTO NEW MARKETS EITHER THROUGH INTERNAL DEVELOPMENT ACTIVITIES OR THROUGH ACQUISITIONS; RISKS ASSOCIATED WITH THE POSSIBLE ADVERSE IMPACT OF OUR UNAFFILIATED MANUFACTURERS' INABILITY TO MANUFACTURE IN A TIMELY MANNER, TO MEET QUALITY STANDARDS OR TO USE ACCEPTABLE LABOR PRACTICES; RISKS ASSOCIATED WITH CHANGES IN SOCIAL, POLITICAL,

ECONOMIC AND OTHER CONDITIONS AFFECTING FOREIGN OPERATIONS OR SOURCING AND THE POSSIBLE ADVERSE IMPACT OF CHANGES IN IMPORT RESTRICTIONS; RISKS RELATED TO OUR ABILITY TO ESTABLISH AND PROTECT OUR TRADEMARKS AND OTHER PROPRIETARY RIGHTS;

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RISKS RELATED TO FLUCTUATIONS IN FOREIGN CURRENCY AFFECTING OUR FOREIGN SUBSIDIARIES' AND FOREIGN LICENSEES' RESULTS OF OPERATIONS AND THE RELATIVE PRICES AT WHICH WE AND OUR FOREIGN COMPETITORS SELL PRODUCTS IN THE SAME MARKET AND OUR OPERATING AND MANUFACTURING COSTS OUTSIDE OF THE UNITED STATES; AND, RISKS ASSOCIATED WITH OUR CONTROL BY LAUREN FAMILY MEMBERS AND THE ANTI-TAKEOVER EFFECT OF MULTIPLE CLASSES OF STOCK. WE UNDERTAKE NO OBLIGATION TO PUBLICLY UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

### OVERVIEW

We began operations in 1968 as a designer and marketer of premium quality men's clothing and sportswear. Since our inception, we have grown through increased sales of existing product lines, the introduction of new brands and products, expansion into international markets, development of our retail operations and acquisitions. Our net revenues are generated from our three integrated operations: wholesale, retail and licensing.

### RESULTS OF OPERATIONS

The table below sets forth the percentage relationship to net revenues of certain items in our statements of operations for the three and nine months ended December 29, 2001 and December 30, 2000:

	DECEMBER 29, 2001		DECEMBER 30, 2000	
	THREE MONTHS	NINE MONTHS	THREE MONTHS	NINE MONTHS
Net sales.....	90.8%	89.5%	90.5%	89.4%
Licensing revenue.....	9.2 ---	10.5 -----	9.5 ---	10.6 -----
Net revenues .....	100.0 -----	100.0 -----	100.0 -----	100.0 -----
Gross profit .....	46.5	48.2	48.5	47.4
Selling, general and administrative expenses.....	34.4	35.8	33.9	37.5
Restructuring charges.....	- ---	- ---	- -----	7.6 -----
Income from operations.....	12.1	12.4	14.6	2.3
Foreign currency (gain).....	(0.4)	-	-	-
Interest expense .....	0.7 ---	0.9 ---	1.0 ---	1.1 ---
Income before income taxes.....	11.8% ====	11.5% ====	13.6% ====	1.2% ===

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THREE MONTHS ENDED DECEMBER 29, 2001 COMPARED TO THREE MONTHS  
ENDED DECEMBER 30, 2000

NET SALES. Net sales increased 0.8% to \$560.3 million in the three months

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ended December 29, 2001, from \$555.6 million in the three months ended December 30, 2000. Wholesale net sales increased 3.9% to \$280.0 million in the three month period, from \$269.5 million in the corresponding period of Fiscal 2001. Wholesale growth primarily reflects increased sales of existing products, principally in Europe.

Retail sales decreased by 2.0% to \$280.3 million in the three months ended December 29, 2001, from \$286.2 million in the corresponding period in Fiscal 2001. This decrease is primarily driven by the 1.4% decrease in comparable store sales which were due to the effects of a promotionally driven and highly competitive retail store environment and decreased customer spending due to current economic conditions. Although the outlet business had increased sales of approximately 6.0%, it was offset by the decrease in our full price retail business. For the three month period, we had three net store openings.

At December 29, 2001, we operated 234 stores, including 30 Polo brand stores, nine Polo concept stores, 54 Club Monaco full-price stores, 95 Polo full line outlet stores, 24 Polo Jeans Co. outlet stores, 12 European outlet stores and 10 Club Monaco outlet stores.

LICENSING REVENUE. Licensing revenue decreased 2.2% to \$56.8 million in the three months ended December 29, 2001, from \$58.1 million in the corresponding period of Fiscal 2001. This decrease is primarily attributable to decreased royalty revenue from a significant product licensee and the termination of a licensing agreement with a product licensee.

GROSS PROFIT. Gross profit as a percentage of net revenues decreased to 46.5% in the three months ended December 29, 2001, from 48.5% in the corresponding period of Fiscal 2001 as a result of the highly competitive wholesale and retail business being highly promotional due to the difficult economic environment and decreased customer spending.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative ("SG&A") expenses as a percentage of net revenues increased to 34.4% in the three months ended December 29, 2001, from 33.9% of net revenues in the corresponding period of Fiscal 2001. This was primarily due to higher selling salaries and related costs resulting from the increased outlet sales and our international retail business in Europe combined with increased corporate expenses including a corporate contribution of \$1.3 million to the Ralph Lauren Foundation American Heroes Fund.

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INTEREST AND OTHER EXPENSE. Interest expense decreased to \$4.5 million in the three months ended December 29, 2001, from \$5.7 million in the comparable period in Fiscal 2001. This decrease was due to lower levels of borrowings during the current quarter primarily as a result of repurchases of a portion of our outstanding Euro debt in Fiscal 2001 and the repayment of short term borrowings during the current quarter.

INCOME TAXES. The effective tax rate decreased to 37.5% in the three months ended December 29, 2001, from 39.5% in the corresponding period in Fiscal 2001. This decline is primarily a result of the benefit of tax strategies implemented.

### NINE MONTHS ENDED DECEMBER 29, 2001 COMPARED TO NINE MONTHS ENDED DECEMBER 30, 2000

NET SALES. Net sales increased 2.7% to \$1,549.6 million in the nine months ended December 29, 2001, from \$1,508.9 million in the nine months ended December 30, 2000. Wholesale net sales increased 6.3% to \$805.6 million in the nine

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months ended December 29, 2001, from \$758.2 million in the corresponding period of Fiscal 2001. Wholesale growth primarily reflects increased unit sales of existing products, principally from our international wholesale business in Europe and our domestic women's business.

Retail sales decreased by 0.9% to \$744.0 million in the nine months ended December 29, 2001, from \$750.7 million in the corresponding period in Fiscal 2001. This decrease is primarily attributable to the closing of our Polo Jeans Co. full-price retail stores during the second quarter of Fiscal 2001 in connection with our Operational Plan and the decrease in our full price retail store sales due to the current difficult economic environment.

Comparable store sales, which represent net sales of stores open in both reporting periods for the full portion of such periods, decreased 3.5%. The comparable store declines were due to the effects of a promotionally driven and highly competitive retail store environment. At December 29, 2001, we operated 234 stores, 30 Polo brand stores, nine Polo concept stores, 54 Club Monaco full-price stores, 95 Polo full line outlet stores, 24 Polo Jeans Co. outlet stores, 12 European outlet stores and ten Club Monaco outlet stores.

LICENSING REVENUE. Licensing revenue increased 1.5% to \$181.1 million in the nine months ended December 29, 2001, from \$178.4 million in the corresponding period of Fiscal 2001. This increase is primarily due to strong results from our international businesses, particularly in Asia and one license within our home collection licensing business, offset by decreased royalty revenue from a significant product licensee and the termination of a product license.

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GROSS PROFIT. Gross profit as a percentage of net revenues increased to 48.2% in the nine months ended December 29, 2001, from 47.4% in the corresponding period of Fiscal 2001. Wholesale gross margins increased approximately 3.0% primarily due to an increase in margins from our international wholesale business in Europe. Retail gross margins decreased 4.5% in comparison to last year's corresponding nine month period due to higher levels of markdowns due to the current economic environment and decreased customer spending. Additionally, the prior year gross margin was negatively impacted by \$37.9 million of inventory write-downs recorded in the second quarter of fiscal 2001 in connection with the implementation of the Operational Plan. These fluctuations in gross margins were also effected by increases in licensing revenue that has no associated cost of goods sold.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. SG&A expenses as a percentage of net revenues decreased to 35.8% in the nine months ended December 29, 2001, from 37.5% of net revenues in the corresponding period of Fiscal 2001. This decrease was primarily due to expense reduction initiatives across all business segments and the closing of our Polo Jeans Co. full price retail stores during Fiscal 2001. Additionally, in Fiscal 2001, we recorded a charge of \$18.1 million relating to non-recurring charges associated with targeted opportunities for improvement and other employee-related costs.

INTEREST AND OTHER EXPENSE. Interest expense decreased to \$15.2 million in the nine months ended December 29, 2001, from \$19.0 million in the comparable period in Fiscal 2001. This decrease was due to lower levels of borrowings during the period primarily as a result of repurchases of a portion of our outstanding Euro debt in Fiscal 2001 and the repayment of short term borrowings during the period.

INCOME TAXES. The effective tax rate decreased to 37.5% in the nine months



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ended December 29, 2001, from 39.5% in the corresponding period in Fiscal 2001. This decline is primarily a result of the benefit of tax strategies implemented. Additionally, the nine months ended December 30, 2000 included a tax benefit of \$72.9 million resulting from charges recorded in connection with the Operational Plan.

### LIQUIDITY AND CAPITAL RESOURCES

Our cash requirements primarily derive from working capital needs, construction and renovation of shop-within-shops, retail expansion, acquisitions, and other corporate activities. Our main sources of liquidity are cash flows from operations, credit facilities and other borrowings.

Net cash provided by operating activities increased to \$277.3 million in the nine months ended December 29, 2001, from \$105.3 million in the comparable period in Fiscal 2001. This increase was primarily due to a significant decrease in inventory levels and decreased accounts receivable due to seasonality. Net cash used in investing activities decreased to \$87.1 million in the nine months ended December 29, 2001 as compared to \$92.3 million in the comparable period in Fiscal 2001 due to the decrease in capital expenditures of approximately \$6.7 million compared to the same period in the prior year offset by the funds used to complete the acquisition of the Italian Licensee and the

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Brussels store. Net cash provided by financing activities was \$2.0 million in the nine months ended December 29, 2001, as compared to net cash used in financing activities of \$16.9 million, in the comparable period in Fiscal 2001. This change is primarily due to the proceeds from the issuance of common stock of \$15.6 million and a decrease in the repurchase of common stock offset by the repayment of approximately \$10.4 of short term bank borrowings during the nine months ended December 29, 2001.

In June 1997, we entered into a credit facility with a syndicate of banks which provides for a \$225.0 million revolving line of credit available for the issuance of letters of credit, acceptances and direct borrowings and matures on December 31, 2002. Borrowings under the credit facility bear interest, at our option, (i) at a Base Rate equal to the higher of the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 1/2 of one percent; and the prime commercial lending rate of The Chase Manhattan Bank in effect from time to time, or (ii) at the Eurodollar Rate plus an interest margin.

In March 1999, we entered into a \$100.0 million senior credit facility with a syndicate of banks consisting of a \$20.0 million revolving line of credit and an \$80.0 million term loan. The revolving line of credit is available for working capital needs and general corporate purposes and matures on June 30, 2003. The term loan was used to finance the acquisition of all of the outstanding common stock of Club Monaco Inc. and to repay their indebtedness. The term loan is also repayable on June 30, 2003. Borrowings under the 1999 senior credit facility bear interest, at our option, at a Base Rate equal to the higher of: (i) the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 1/2 of one percent; and (ii) the prime commercial lending rate of The Chase Manhattan Bank in effect from time to time, or at the Eurodollar Rate plus an interest margin. In April 1999, we entered into interest rate swap agreements with an aggregate notional amount of \$100.0 million to convert the variable interest rate on the 1999 senior credit facility to a fixed rate of 5.5%.

The syndicated bank credit facility and 1999 senior credit facility contain customary representations, warranties, covenants and events of default,

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including covenants regarding maintenance of net worth and leverage ratios, limitations on indebtedness, loans, investments and incurrences of liens, and restrictions on sales of assets and transactions with affiliates. Additionally, the agreements provide that an event of default will occur if Mr. Ralph Lauren and related entities fail to maintain a specified minimum percentage of the voting power of our common stock.

In November 1999, we issued Euro 275.0 million of 6.125% notes due November 2006. Our Euro debt is listed on the London Stock Exchange. The net proceeds from the Euro offering were \$281.5 million based on the Euro exchange rate on the issuance date. Interest on the Euro debt is payable annually. A portion of the net proceeds from the issuance was used to acquire our European license while the remaining net proceeds were retained for general corporate purposes. In Fiscal 2001, we repurchased Euro 27.5 million, or \$25.3 million based on Euro exchange rates, of our outstanding Euro debt. In Fiscal 2002, we repurchased an additional Euro 1.4 million, or \$1.3 million based on Euro exchange rates, of our outstanding debt.

As of December 29, 2001, we had \$74 million outstanding in direct borrowings, \$80.0 million outstanding under the term loan and \$218 million outstanding in Euro debt based on the quarter end exchange rate. We were also contingently liable for \$18.2 million in outstanding letters of credit

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related to commitments for the purchase of inventory. The weighted average interest rate on outstanding borrowings at December 29, 2001, was 5.9%.

Total cash outlays related to the Fiscal 2001 Operational Plan are expected to be approximately \$24.7 million, \$22.7 million of which has been paid through December 29, 2001. The remaining obligations of approximately \$2.0 million at December 29, 2001 relate to severance and lease contract and termination agreements which extend until Fiscal 2003.

Total cash outlays related to the 1999 Restructuring Plan are approximately \$39.5 million, \$36.5 million of which has been paid through December 29, 2001. The remaining obligations of approximately \$3.0 million at December 29, 2001 relate to severance and lease contract and termination agreements which extend until Fiscal 2003.

Capital expenditures were \$61.1 million and \$67.9 million in the nine months ended December 29, 2001 and December 30, 2000, respectively. Capital expenditures primarily reflect costs associated with the following:

- o our retail stores;
- o the expansion of our European operations;
- o the shop-within-shops development program which includes new shops, renovations and expansions;
- o our information systems; and
- o other capital projects.

In March 1998, the Board of Directors authorized the repurchase, subject to market conditions, of up to \$100.0 million of our Class A common stock. Share repurchases under this plan were made in the open market over a two-year period which commenced April 1, 1998. On March 2, 2000, the Board of Directors authorized a two-year extension to the stock repurchase program, and on February

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5, 2002, the Board of Directors authorized a further extension of the program through March 2004. Shares acquired under the repurchase program will be used for stock option programs and for other corporate purposes. As of December 29, 2001, we had repurchased 3,876,506 shares of our Class A common stock at an aggregate cost of \$73.2 million.

On October 31, 2001, the Company completed the acquisition of substantially all of the assets of PRL Fashions of Europe SRL ("PRL Fashions" or "Italian Licensee") which held licenses to sell our women's Ralph Lauren apparel in Europe, our men's and boys' Polo Ralph Lauren apparel in Italy and men's and women's Polo Jeans Co. collections in Italy. PRL Fashions had revenues of approximately \$75.0 million for their fiscal year 2000. The purchase price of this transaction was approximately \$22.0 million in cash plus the assumption of certain liabilities and earn-out payments based on achieving profitability targets over the first three years

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with a guaranteed minimum annual payment of \$3.5 million each year.

Consistent with SFAS No. 141 and SFAS No. 142, this acquisition was accounted for as a purchase and the goodwill recorded will not be amortized. The assets acquired of \$15,147 and liabilities assumed of \$15,106 were recorded at estimated fair values as determined by the Company's management based on information currently available. Goodwill of approximately \$32.5 million has been recognized for the excess of the purchase price over the preliminary estimate of fair market value of the net assets acquired.

The Company is in the process of obtaining independent appraisals of the intangible assets acquired. Accordingly, the allocation of the purchase price is subject to revision, which is not expected to be material, based on the final determination of appraised and other fair values.

On October 22, 2001, we acquired the Polo Brussels SA store from one of our licensees. The purchase price of this transaction was approximately \$3.0 million in cash. Consistent with SFAS No. 141 and SFAS No. 142, the transaction was accounted for as a purchase and the goodwill is not being amortized. The sales and total assets were not material. The proforma effect of these two acquisitions on the historical results were not material.

### SEASONALITY OF BUSINESS

Our business is affected by seasonal trends, with higher levels of wholesale sales in our second and fourth quarters and higher retail sales in our second and third quarters. These trends result primarily from the timing of seasonal wholesale shipments to retail customers and key vacation travel and holiday shopping periods in the retail segment. As a result of the growth in our retail operations and licensing revenue, historical quarterly operating trends and working capital requirements may not accurately reflect future performances. In addition, fluctuations in sales and operating income in any Fiscal quarter may be affected by the timing of seasonal wholesale shipments and other events affecting retail.

### NEW ACCOUNTING STANDARDS

In August 2001, the FASB issued SFAS No. 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS. This Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Statement requires that the fair value of a liability for an asset retirement obligation be recognized

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in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. SFAS No. 143 is effective for the first quarter in the Fiscal year ending April 3, 2004. The Company is currently evaluating the impact of adopting this pronouncement on our consolidated results of operations.

In October 2001, the FASB issued SFAS No. 144, ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS. The Statement addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of. SFAS No. 144

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supersedes FASB Statement No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF. However, this Statement retains the fundamental provisions of Statement 121 for (a) recognition and measurement of the impairment of long-lived assets to be held and used and (b) measurement of long-lived assets to be disposed of by sale. SFAS No. 144 is effective for the first quarter in the Fiscal year ending March 29, 2003. The Company is currently evaluating the impact of adopting this pronouncement on our consolidated results of operations.

In July 2001, the FASB issued Statement of Financial Accounting Standards ("SFAS") No.141 BUSINESS COMBINATIONS and SFAS No. 142 , GOODWILL AND OTHER INTANGIBLE ASSETS. In addition to requiring the use of the purchase method for all business combinations, SFAS No. 141, requires intangible assets that meet certain criteria to be recognized as assets apart from goodwill. SFAS No.142, addresses accounting and reporting standards for acquired goodwill and other intangible assets and generally, requires that goodwill and indefinite life intangible assets no longer be amortized but be tested for impairment annually. Intangible assets that have finite lives will continue to be amortized over their useful lives. SFAS No. 141 and SFAS No. 142 are effective for our first quarter in the Fiscal year ending March 29, 2003 or for any business combinations initiated after June 30, 2001. As a result of these pronouncements, goodwill arising from the acquisitions of PRL Fashions and the Polo Brussels SA store are not being amortized. The Company is currently evaluating the impact of adopting these pronouncements on our consolidated financial position and results of operations.

In April 2001, the FASB's Emerging Issues Task Force reached a consensus on Issue No. 00-25, VENDOR INCOME STATEMENT CHARACTERISTICS OF CONSIDERATION PAID TO A RESELLER OF THE VENDOR PRODUCTS ("EITF No. 00-25"). EITF No. 00-25 concluded that consideration from a vendor to a reseller of the vendor's products is presumed to be a reduction of the selling prices of the vendor's products and, therefore, should be characterized as a reduction of revenue when recognized in the vendor's income statement. That presumption is overcome and the consideration characterized as a cost incurred if a benefit is or will be received from the recipient of the consideration if certain conditions are met. This pronouncement is effective for our first quarter in the Fiscal year ending March 29, 2003. The Company is currently evaluating the impact of adopting this pronouncement on our consolidated results of operations.

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

The market risk inherent in our financial instruments represents the potential loss in fair value, earnings or cash flows arising from adverse changes in interest rates or foreign currency exchange rates. We manage these exposures through operating and financing activities and, when appropriate,

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through the use of derivative financial instruments. Our policy allows for the use of derivative financial instruments for identifiable market risk exposures, including interest rate and foreign currency fluctuations. Since March 31, 2001, there have been no significant changes in our interest rate and foreign currency exposures, changes in the types of derivative instruments used to hedge those exposures, or significant changes in underlying market conditions.

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### PART II. OTHER INFORMATION

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits--

None

(b) Reports on Form 8-K--

The Company filed no reports on Form 8-K in the quarter ended December 29, 2001.

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### 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.

POLO RALPH LAUREN CORPORATION

Date: February 12, 2002

By: /s/ Gerald M. Chaney

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Gerald M. Chaney  
Senior Vice President of Finance and  
Chief Financial Officer

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