

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

Form 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended July 1, 2017

or

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

Commission File Number: 001-13057

Ralph Lauren Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

650 Madison Avenue,
New York, New York

(Address of principal executive offices)

13-2622036

(I.R.S. Employer
Identification No.)

10022

(Zip Code)

(212) 318-7000

(Registrant's telephone number, including area code)

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

At August 4, 2017, 55,381,215 shares of the registrant's Class A common stock, \$.01 par value, and 25,881,276 shares of the registrant's Class B common stock, \$.01 par value, were outstanding.

RALPH LAUREN CORPORATION

INDEX

Page

PART I. FINANCIAL INFORMATION (Unaudited)

Item 1.	Financial Statements:	
	Consolidated Balance Sheets	3
	Consolidated Statements of Operations	4
	Consolidated Statements of Comprehensive Income (Loss)	5
	Consolidated Statements of Cash Flows	6
	Notes to Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	36
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	54
Item 4.	Controls and Procedures	54

PART II. OTHER INFORMATION

Item 1.	Legal Proceedings	55
Item 1A.	Risk Factors	55
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	55
Item 5.	Other Information	56
Item 6.	Exhibits	56
	Signatures	57

EX-3.3	
EX-10.1	
EX-10.2	
EX-12.1	
EX-31.1	
EX-31.2	
EX-32.1	
EX-32.2	
EX-101	INSTANCE DOCUMENT
EX-101	SCHEMA DOCUMENT
EX-101	CALCULATION LINKBASE DOCUMENT
EX-101	LABELS LINKBASE DOCUMENT
EX-101	PRESENTATION LINKBASE DOCUMENT
EX-101	DEFINITION LINKBASE DOCUMENT

RALPH LAUREN CORPORATION
CONSOLIDATED BALANCE SHEETS

	July 1, 2017	April 1, 2017
	(millions) (unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 830.4	\$ 668.3
Short-term investments	740.5	684.7
Accounts receivable, net of allowances of \$213.5 million and \$214.4 million	279.2	450.2
Inventories	859.9	791.5
Income tax receivable	77.5	79.4
Prepaid expenses and other current assets	299.2	280.4
Total current assets	3,086.7	2,954.5
Property and equipment, net	1,273.3	1,316.0
Deferred tax assets	141.4	125.9
Goodwill	924.2	904.6
Intangible assets, net	213.7	219.8
Other non-current assets	174.7	131.2
Total assets	\$ 5,814.0	\$ 5,652.0
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 160.9	\$ 147.7
Income tax payable	36.6	29.5
Accrued expenses and other current liabilities	1,019.4	982.7
Total current liabilities	1,216.9	1,159.9
Long-term debt	590.4	588.2
Non-current liability for unrecognized tax benefits	64.7	62.7
Other non-current liabilities	581.9	541.6
Commitments and contingencies (Note 13)		
Total liabilities	2,453.9	2,352.4
Equity:		
Class A common stock, par value \$.01 per share; 102.0 million and 101.5 million shares issued; 55.4 million and 55.1 million shares outstanding	1.0	0.9
Class B common stock, par value \$.01 per share; 25.9 million shares issued and outstanding	0.3	0.3
Additional paid-in-capital	2,330.4	2,308.8
Retained earnings	5,770.8	5,751.9
Treasury stock, Class A, at cost; 46.6 million and 46.4 million shares	(4,578.3)	(4,563.9)
Accumulated other comprehensive loss	(164.1)	(198.4)
Total equity	3,360.1	3,299.6
Total liabilities and equity	\$ 5,814.0	\$ 5,652.0

See accompanying notes.

RALPH LAUREN CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended	
	July 1, 2017	July 2, 2016
	(millions, except per share data) (unaudited)	
Net revenues	\$ 1,347.1	\$ 1,552.2
Cost of goods sold ^(a)	(495.9)	(657.6)
Gross profit	851.2	894.6
Selling, general, and administrative expenses ^(a)	(708.4)	(814.7)
Amortization of intangible assets	(6.0)	(6.0)
Impairment of assets	(9.7)	(19.4)
Restructuring and other charges ^(a)	(36.8)	(85.7)
Total other operating expenses, net	(760.9)	(925.8)
Operating income (loss)	90.3	(31.2)
Foreign currency gains	0.1	2.4
Interest expense	(5.0)	(3.4)
Interest and other income, net	2.3	0.9
Equity in losses of equity-method investees	(0.9)	(1.9)
Income (loss) before income taxes	86.8	(33.2)
Income tax benefit (provision)	(27.3)	10.9
Net income (loss)	\$ 59.5	\$ (22.3)
Net income (loss) per common share:		
Basic	\$ 0.73	\$ (0.27)
Diluted	\$ 0.72	\$ (0.27)
Weighted average common shares outstanding:		
Basic	81.6	83.3
Diluted	82.5	83.3
Dividends declared per share	\$ 0.50	\$ 0.50
^(a) Includes total depreciation expense of:	\$ (66.9)	\$ (72.4)

See accompanying notes.

RALPH LAUREN CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended	
	July 1, 2017	July 2, 2016
	(millions) (unaudited)	
Net income (loss)	\$ 59.5	\$ (22.3)
Other comprehensive income (loss), net of tax:		
Foreign currency translation gains (losses)	56.6	(9.0)
Net losses on cash flow hedges	(22.0)	(2.3)
Net gains (losses) on defined benefit plans	(0.3)	0.4
Other comprehensive income (loss), net of tax	34.3	(10.9)
Total comprehensive income (loss)	\$ 93.8	\$ (33.2)

See accompanying notes.

RALPH LAUREN CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	July 1, 2017	July 2, 2016
	(millions) (unaudited)	
Cash flows from operating activities:		
Net income (loss)	\$ 59.5	\$ (22.3)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	72.9	78.4
Deferred income tax expense (benefit)	(14.7)	3.0
Equity in losses of equity-method investees	0.9	1.9
Non-cash stock-based compensation expense	21.6	17.7
Non-cash impairment of assets	9.7	19.4
Non-cash restructuring-related inventory charges	0.7	54.0
Other non-cash charges	1.1	9.7
Changes in operating assets and liabilities:		
Accounts receivable	174.0	174.4
Inventories	(55.4)	(167.8)
Prepaid expenses and other current assets	(4.6)	(23.2)
Accounts payable and accrued liabilities	42.4	141.7
Income tax receivables and payables	8.7	(20.8)
Deferred income	0.6	(2.3)
Other balance sheet changes	16.8	(20.9)
Net cash provided by operating activities	334.2	242.9
Cash flows from investing activities:		
Capital expenditures	(41.9)	(77.6)
Purchases of investments	(270.4)	(144.5)
Proceeds from sales and maturities of investments	187.4	182.2
Acquisitions and ventures	(3.6)	(1.3)
Net cash used in investing activities	(128.5)	(41.2)
Cash flows from financing activities:		
Proceeds from issuance of short-term debt	—	943.9
Repayments of short-term debt	—	(970.0)
Payments of capital lease obligations	(6.2)	(7.2)
Payments of dividends	(40.5)	(41.4)
Repurchases of common stock, including shares surrendered for tax withholdings	(14.4)	(114.9)
Proceeds from exercise of stock options	0.1	3.2
Net cash used in financing activities	(61.0)	(186.4)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	19.9	(14.6)
Net increase in cash, cash equivalents, and restricted cash	164.6	0.7
Cash, cash equivalents, and restricted cash at beginning of period	711.8	502.1
Cash, cash equivalents, and restricted cash at end of period	\$ 876.4	\$ 502.8

See accompanying notes.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In millions, except per share data and where otherwise indicated)
(Unaudited)

1. Description of Business

Ralph Lauren Corporation ("RLC") is a global leader in the design, marketing, and distribution of premium lifestyle products, including apparel, accessories, home furnishings, and other licensed product categories. RLC's long-standing reputation and distinctive image have been developed across an expanding number of products, brands, sales channels, and international markets. RLC's brand names include Ralph Lauren, Ralph Lauren Collection, Ralph Lauren Purple Label, Polo Ralph Lauren, Double RL, Lauren Ralph Lauren, Polo Ralph Lauren Children, Chaps, and Club Monaco, among others. RLC and its subsidiaries are collectively referred to herein as the "Company," "we," "us," "our," and "ourselves," unless the context indicates otherwise.

The Company diversifies its business by geography (North America, Europe, and Asia, among other regions) and channels of distribution (wholesale, retail, and licensing). This allows the Company to maintain a dynamic balance as its operating results do not depend solely on the performance of any single geographic area or channel of distribution. The Company's wholesale sales are made principally to major department stores and specialty stores around the world. The Company also sells directly to consumers through its integrated retail channel, which includes its retail stores, concession-based shop-within-shops, and e-commerce operations around the world. In addition, the Company licenses to unrelated third parties for specified periods the right to operate retail stores and/or to use its various trademarks in connection with the manufacture and sale of designated products, such as certain apparel, eyewear, fragrances, and home furnishings.

The Company organizes its business into the following three reportable segments: North America, Europe, and Asia. In addition to these reportable segments, the Company also has other non-reportable segments. See Note 17 for further discussion of the Company's segment reporting structure.

2. Basis of Presentation

Interim Financial Statements

These interim consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") and are unaudited. In the opinion of management, these consolidated financial statements contain all normal and recurring adjustments necessary to present fairly the consolidated financial position, income (loss), comprehensive income (loss), and cash flows of the Company for the interim periods presented. In addition, certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP") and the notes thereto have been condensed or omitted from this report as is permitted by the SEC's rules and regulations. However, the Company believes that the disclosures provided herein are adequate to prevent the information presented from being misleading.

This report should be read in conjunction with the Company's Annual Report on Form 10-K filed with the SEC for the fiscal year ended April 1, 2017 (the "Fiscal 2017 10-K").

Basis of Consolidation

These unaudited interim consolidated financial statements present the consolidated financial position, income (loss), comprehensive income (loss), and cash flows of the Company, including all entities in which the Company has a controlling financial interest and is determined to be the primary beneficiary. All significant intercompany balances and transactions have been eliminated in consolidation.

Fiscal Periods

The Company utilizes a 52-53 week fiscal year ending on the Saturday closest to March 31. As such, fiscal year 2018 will end on March 31, 2018 and will be a 52-week period ("Fiscal 2018"). Fiscal year 2017 ended on April 1, 2017 and was also a 52-week period ("Fiscal 2017"). The first quarter of Fiscal 2018 ended on July 1, 2017 and was a 13-week period. The first quarter of Fiscal 2017 ended on July 2, 2016 and was also a 13-week period.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Actual results could differ materially from those estimates.

Significant estimates inherent in the preparation of the consolidated financial statements include reserves for bad debt, customer returns, discounts, end-of-season markdowns, operational chargebacks, and certain cooperative advertising allowances; the realizability of inventory; reserves for litigation and other contingencies; useful lives and impairments of long-lived tangible and intangible assets; fair value measurements; accounting for income taxes and related uncertain tax positions; valuation of stock-based compensation awards and related estimated forfeiture rates; reserves for restructuring activity; and accounting for business combinations, among others.

Reclassifications

Certain reclassifications have been made to the prior period's financial information in order to conform to the current period's presentation, including the realignment of the Company's segment reporting structure, as further described in Note 17.

Seasonality of Business

The Company's business is typically affected by seasonal trends, with higher levels of wholesale sales in its second and fourth fiscal quarters and higher retail sales in its second and third fiscal quarters. These trends result primarily from the timing of seasonal wholesale shipments and key vacation travel, back-to-school, and holiday shopping periods impacting our retail business. In addition, fluctuations in sales, operating income, and cash flows in any fiscal quarter may be affected by other events affecting retail sales, such as changes in weather patterns. Accordingly, the Company's operating results and cash flows for the three-month period ended July 1, 2017 are not necessarily indicative of the operating results and cash flows that may be expected for the full Fiscal 2018.

3. Summary of Significant Accounting Policies

Revenue Recognition

Revenue is recognized across all segments of the business when there is persuasive evidence of an arrangement, delivery has occurred, the price has been fixed or is determinable, and collectability is reasonably assured.

Revenue within the Company's wholesale business is recognized at the time title passes and risk of loss is transferred to customers. Wholesale revenue is recorded net of estimates of returns, discounts, end-of-season markdowns, operational chargebacks, and certain cooperative advertising allowances. Returns and allowances require pre-approval from management and discounts are based on trade terms. Estimates for end-of-season markdown reserves are based on historical trends, actual and forecasted seasonal results, an evaluation of current economic and market conditions, retailer performance, and, in certain cases, contractual terms. Estimates for operational chargebacks are based on actual customer notifications of order fulfillment discrepancies and historical trends. The Company reviews and refines these estimates on at least a quarterly basis. The Company's historical estimates of these costs have not differed materially from actual results.

Retail store and concession-based shop-within-shop revenue is recognized net of estimated returns at the time of sale to consumers. E-commerce revenue from sales of products ordered through the Company's e-commerce sites and third-party digital partner e-commerce sites is recognized upon delivery of the shipment to its customers. Such revenue is also reduced by an estimate of returns.

Gift cards issued by the Company are recorded as a liability until they are redeemed, at which point revenue is recognized. The Company recognizes income for unredeemed gift cards when the likelihood of redemption by a customer is remote and the Company determines that it does not have a legal obligation to remit the value of the unredeemed gift card to the relevant jurisdiction as unclaimed or abandoned property.

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Revenue from licensing arrangements is recognized when earned in accordance with the terms of the underlying agreements, generally based upon the higher of (i) contractually guaranteed minimum royalty levels or (ii) actual sales and royalty data, or estimates thereof, received from the Company's licensees.

The Company accounts for sales taxes and other related taxes on a net basis, excluding such taxes from revenue.

Shipping and Handling Costs

The costs associated with shipping goods to customers are reflected as a component of selling, general, and administrative ("SG&A") expenses in the consolidated statements of operations. Shipping costs were \$7.3 million and \$9.3 million during the three-month periods ended July 1, 2017 and July 2, 2016, respectively. The costs of preparing merchandise for sale, such as picking, packing, warehousing, and order charges ("handling costs") are also included in SG&A expenses. Handling costs were \$37.2 million and \$41.0 million during the three-month periods ended July 1, 2017 and July 2, 2016, respectively. Shipping and handling costs billed to customers are included in revenue.

Net Income (Loss) per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) attributable to common shares by the weighted-average number of common shares outstanding during the period. Weighted-average common shares include shares of the Company's Class A and Class B common stock. Diluted net income (loss) per common share adjusts basic net income (loss) per common share for the dilutive effects of outstanding stock options, restricted stock, restricted stock units ("RSUs"), and any other potentially dilutive instruments, only in the periods in which such effects are dilutive.

The weighted-average number of common shares outstanding used to calculate basic net income (loss) per common share is reconciled to shares used to calculate diluted net income (loss) per common share as follows:

	Three Months Ended	
	July 1, 2017	July 2, 2016
	(millions)	
Basic shares	81.6	83.3
Dilutive effect of stock options, restricted stock, and RSUs	0.9	— (a)
Diluted shares	82.5	83.3

(a) Incremental shares of 1.0 million attributable to outstanding stock options, restricted stock, and RSUs were excluded from the computation of diluted shares for the three months ended July 2, 2016, as such shares would not be dilutive as a result of the net loss incurred during the period.

All earnings per share amounts have been calculated using unrounded numbers. Options to purchase shares of the Company's Class A common stock at an exercise price greater than the average market price of the common stock during the reporting period are anti-dilutive and therefore not included in the computation of diluted net income (loss) per common share. In addition, the Company has outstanding performance-based RSUs, which are included in the computation of diluted shares only to the extent that the underlying performance conditions (and applicable market condition modifiers, if any) (i) have been satisfied as of the end of the reporting period or (ii) would be considered satisfied if the end of the reporting period were the end of the related contingency period and the result would be dilutive. As of July 1, 2017 and July 2, 2016, there were 2.6 million and 2.9 million, respectively, of additional shares issuable upon exercise of anti-dilutive options and contingent vesting of performance-based RSUs that were excluded from the diluted shares calculations. Additionally, in June 2016, the Company entered into an accelerated share repurchase program (the "ASR Program," as defined in Note 14). As of July 2, 2016, the 0.1 million additional shares that had yet to be delivered to the Company under the ASR Program would have been anti-dilutive, and therefore were excluded from the diluted shares calculation.

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accounts Receivable

In the normal course of business, the Company extends credit to wholesale customers that satisfy defined credit criteria. Accounts receivable is recorded at carrying value, which approximates fair value, and is presented in the Company's consolidated balance sheets net of certain reserves and allowances. These reserves and allowances consist of (i) reserves for returns, discounts, end-of-season markdowns, operational chargebacks, and certain cooperative advertising allowances (see the *Revenue Recognition* section for further discussion of related accounting policies) and (ii) allowances for doubtful accounts.

A rollforward of the activity in the Company's reserves for returns, discounts, end-of-season markdowns, operational chargebacks, and certain cooperative advertising allowances is presented below:

	Three Months Ended	
	July 1, 2017	July 2, 2016
	(millions)	
Beginning reserve balance	\$ 202.8	\$ 239.7
Amount charged against revenue to increase reserve	117.7	132.0
Amount credited against customer accounts to decrease reserve	(126.0)	(164.4)
Foreign currency translation	5.1	(0.3)
Ending reserve balance	<u>\$ 199.6</u>	<u>\$ 207.0</u>

An allowance for doubtful accounts is determined through an analysis of accounts receivable aging, assessments of collectability based on an evaluation of historical and anticipated trends, the financial condition of the Company's customers, and an evaluation of the impact of economic conditions, among other factors. The Company's allowance for doubtful accounts was \$13.9 million and \$11.6 million as of July 1, 2017 and April 1, 2017, respectively. The change in the allowance for doubtful accounts was not material during either of the three-month periods ended July 1, 2017 and July 2, 2016.

Concentration of Credit Risk

The Company sells its wholesale merchandise primarily to major department and specialty stores around the world, and extends credit based on an evaluation of each customer's financial capacity and condition, usually without requiring collateral. In the Company's wholesale business, concentration of credit risk is relatively limited due to the large number of customers and their dispersion across many geographic areas. However, the Company has three key wholesale customers that generate significant sales volume. During Fiscal 2017, the Company's sales to its largest wholesale customer, Macy's, Inc. ("Macy's"), accounted for approximately 10% of total net revenues, and the Company's sales to its three largest wholesale customers (including Macy's) accounted for approximately 21% of total net revenues. Substantially all of the Company's sales to its three largest wholesale customers related to its North America segment. As of July 1, 2017, these three key wholesale customers constituted approximately 31% of the Company's total gross accounts receivable.

Inventories

The Company holds inventory that is sold through wholesale distribution channels to major department stores and specialty retail stores. The Company also holds retail inventory that is sold in its own stores and e-commerce sites directly to consumers. Substantially all of the Company's inventories are comprised of finished goods, which are stated at the lower of cost or estimated realizable value, with cost primarily determined on a weighted-average cost basis. Inventory held by the Company totaled \$859.9 million, \$791.5 million, and \$1.242 billion as of July 1, 2017, April 1, 2017, and July 2, 2016, respectively.

Derivative Financial Instruments

The Company records all derivative financial instruments on its consolidated balance sheets at fair value. For derivative instruments that qualify for hedge accounting, the effective portion of changes in their fair value is either (i) offset against the changes in fair value of the related hedged assets, liabilities, or firm commitments through earnings or (ii) recognized in equity as a component of accumulated other comprehensive income (loss) ("AOCI") until the hedged item is recognized in earnings,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

depending on whether the derivative is being used to hedge against changes in fair value or cash flows and net investments, respectively.

Each derivative instrument that qualifies for hedge accounting is expected to be highly effective at reducing the risk associated with the exposure being hedged. For each derivative instrument that is designated as a hedge, the Company formally documents the related risk management objective and strategy, including identification of the hedging instrument, the hedged item, and the risk exposure, as well as how hedge effectiveness will be assessed prospectively and retrospectively over the instrument's term. To assess hedge effectiveness, the Company generally uses regression analysis, a statistical method, to compare the change in the fair value of the derivative instrument to the change in fair value or cash flows of the related hedged item. The extent to which a hedging instrument has been and is expected to remain highly effective in achieving offsetting changes in fair value or cash flows is assessed and documented by the Company on at least a quarterly basis.

As a result of its use of derivative instruments, the Company is exposed to the risk that counterparties to such contracts will fail to meet their contractual obligations. To mitigate this counterparty credit risk, the Company has a policy of only entering into contracts with carefully selected financial institutions based upon an evaluation of their credit ratings and certain other factors, adhering to established limits for credit exposure. The Company's established policies and procedures for mitigating credit risk from derivative transactions include ongoing review and assessment of its counterparties' creditworthiness. The Company also enters into master netting arrangements with counterparties, when possible, to mitigate credit risk associated with its derivative instruments. In the event of default or termination (as such terms are defined within the respective master netting arrangement), these arrangements allow the Company to net-settle amounts payable and receivable related to multiple derivative transactions with the same counterparty. The master netting arrangements specify a number of events of default and termination, including, among others, the failure to make timely payments.

The fair values of the Company's derivative instruments are recorded on its consolidated balance sheets on a gross basis. For cash flow reporting purposes, proceeds received or amounts paid upon the settlement of a derivative instrument are classified in the same manner as the related item being hedged, primarily within cash flows from operating activities.

Cash Flow Hedges

The Company uses forward foreign currency exchange contracts to reduce its risk related to exchange rate fluctuations on inventory transactions made in an entity's non-functional currency, intercompany royalty payments made by certain of its international operations, and the settlement of foreign currency-denominated operational balances. To the extent forward foreign currency exchange contracts are designated as cash flow hedges and are highly effective in offsetting changes in the value of the hedged items, the related gains or losses are initially deferred in equity as a component of AOCI and are subsequently recognized in the consolidated statements of operations as follows:

- *Forecasted Inventory Transactions* — recognized as part of the cost of the inventory being hedged within cost of goods sold when the related inventory is sold to a third party.
- *Intercompany Royalties/Settlement of Foreign Currency Balances* — recognized within foreign currency gains (losses) during the period that the hedged balance is remeasured through earnings, generally through its settlement when the related payment occurs.

To the extent that a derivative instrument designated as a cash flow hedge is not considered effective, any change in its fair value relating to such ineffectiveness is immediately recognized in earnings within foreign currency gains (losses). If it is determined that a derivative instrument has not been highly effective, and will continue not to be highly effective in hedging the designated exposure, hedge accounting is discontinued and further gains (losses) are immediately recognized in earnings within foreign currency gains (losses). Upon discontinuance of hedge accounting, the cumulative change in fair value of the derivative instrument previously recorded in AOCI is recognized in earnings when the related hedged item affects earnings, consistent with the originally-documented hedging strategy, unless the forecasted transaction is no longer probable of occurring, in which case the accumulated amount is immediately recognized in earnings within foreign currency gains (losses).

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Hedge of a Net Investment in a Foreign Operation

The Company periodically uses cross-currency swap contracts to reduce risk associated with exchange rate fluctuations on certain of its net investments in foreign subsidiaries. Changes in the fair values of such derivative instruments that are designated as hedges of net investments in foreign operations are recorded in equity as a component of AOCI in the same manner as foreign currency translation adjustments, to the extent they are effective as a hedge. To assess effectiveness, the Company uses a method based on changes in spot rates to measure the impact of foreign currency exchange rate fluctuations on both its foreign subsidiary net investment and the related derivative hedging instrument. Accordingly, changes in fair value of the hedging instrument other than those due to changes in the spot rate are excluded from the assessment of hedge effectiveness and are recorded in the consolidated statement of operations with any other ineffectiveness as interest expense. Amounts associated with the effective portion of net investment hedges are released from AOCI and recognized in earnings only upon the sale or liquidation of the hedged net investment.

Fair Value Hedges

Changes in the fair value of a derivative instrument that is designated as a fair value hedge, along with offsetting changes in the fair value of the related hedged item attributable to the hedged risk, are recorded in earnings. Hedge ineffectiveness is recorded in earnings to the extent that the change in the fair value of the hedged item does not offset the change in the fair value of the hedging instrument.

Undesignated Hedges

All of the Company's undesignated hedges are entered into to hedge specific economic risks, particularly foreign currency exchange rate risk related to foreign currency-denominated balances. Changes in the fair value of undesignated derivative instruments are immediately recognized in earnings within foreign currency gains (losses).

See Note 12 for further discussion of the Company's derivative financial instruments.

Refer to Note 3 of the Fiscal 2017 10-K for a summary of all of the Company's significant accounting policies.

4. Recently Issued Accounting Standards

Restricted Cash

In November 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-18, "Restricted Cash" ("ASU 2016-18"). ASU 2016-18 requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash. Accordingly, restricted cash will be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts presented on the statement of cash flows. The Company early-adopted ASU 2016-18 during the first quarter of Fiscal 2018 and applied its provisions retrospectively. Other than the change in presentation within the statement of cash flows, the adoption of ASU 2016-18 did not have an impact on the Company's consolidated financial statements. See Note 18 for a reconciliation of cash, cash equivalents, and restricted cash from the consolidated balance sheets to the consolidated statements of cash flows.

Improvements to Employee Share-Based Payment Accounting

In March 2016, the FASB issued ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). ASU 2016-09 simplifies several aspects related to the accounting for and financial statement presentation of share-based payments, including the accounting for income taxes upon award settlement and forfeitures, and the classification of excess tax benefits and shares surrendered for tax withholdings in the statement of cash flows.

The Company adopted ASU 2016-09 during the first quarter of Fiscal 2018. Among its various provisions, ASU 2016-09 impacts the accounting for income taxes upon award settlement by requiring that all excess tax benefits and shortfalls be reflected in the income tax benefit (provision) in the statement of operations in the period that they are realized. This reflects a change from previous practice, which generally required that such activity be recorded in equity as additional paid-in-capital. This change, which was applied prospectively in the Company's consolidated financial statements, increased the Company's income tax provision

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

by \$10.0 million for the three months ended July 1, 2017. Future impacts of this guidance on the Company's income tax benefit (provision) will depend largely on unpredictable events and other factors, including the timing of both employee stock option exercises and cancellations, if any, and the value realized upon vesting or exercise of shares compared to the grant date fair value of those shares, and will likely result in increased volatility. This increase in volatility is expected to be more pronounced during the first half of the Company's fiscal year due to the timing of annual stock-based compensation award vestings and stock option expirations.

Additionally, ASU 2016-09 changes the classification of excess tax benefits presented in the Company's consolidated statements of cash flows from a financing activity to an operating activity. The Company applied this change in classification on a retrospective basis by reclassifying \$0.3 million of excess tax benefits from cash flows from financing activities to cash flows from operating activities for the three months ended July 2, 2016.

Lastly, as permitted, the Company has elected to continue to estimate the impact of expected forfeitures when determining the amount of compensation cost to be recognized each period, as opposed to reflecting the impact of forfeitures only as they occur.

The remaining provisions of ASU 2016-09 did not have a material impact on the Company's consolidated financial statements.

Leases

In February 2016, the FASB issued ASU No. 2016-02, "Leases" ("ASU 2016-02"). ASU 2016-02 requires that a lessee's rights and fixed payment obligations under most leases be recognized as right-of-use assets and lease liabilities on the consolidated balance sheet. ASU 2016-02 retains a dual model for classifying leases as either financing or operating, which governs the pattern of expense recognition to be reflected in the consolidated statement of operations. Variable lease payments based on performance, such as percentage-of-sales-based payments, will not be included in the measurement of right-of-use assets and lease liabilities. Rather, consistent with current practice, such amounts will be recognized as an expense in the period incurred. ASU 2016-02 is effective for the Company beginning in its fiscal year ending March 28, 2020, with early adoption permitted, and is to be adopted using a modified retrospective transition approach, which requires application of the guidance at the beginning of the earliest comparative period presented.

The Company is currently in the process of evaluating the impact that ASU 2016-02 will have on its consolidated financial statements and related disclosures. The Company's assessment efforts to date have included reviewing the standard's provisions and beginning to gather information to evaluate the landscape of its real estate, personal property, and other arrangements that may meet the definition of a lease. Based on these efforts, the Company currently anticipates that the adoption of ASU 2016-02 will result in a significant increase to its long-term assets and liabilities as, at a minimum, most of its current operating lease commitments will be subject to balance sheet recognition. The standard is also expected to result in enhanced quantitative and qualitative lease-related disclosures. Recognition of lease expense in the consolidated statement of operations is not anticipated to significantly change.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"). ASU 2014-09 provides a single, comprehensive accounting model for revenues arising from contracts with customers that will supersede most existing revenue recognition guidance, including industry-specific guidance. Under this model, revenue, representing the amount to which an entity expects to be entitled in exchange for providing promised goods or services (i.e., performance obligations), is recognized upon control of promised goods or services transferring to a customer. ASU 2014-09 also requires enhanced qualitative and quantitative revenue-related disclosures. Since its original issuance, the FASB has issued several additional related ASUs to address implementation concerns and further amend and clarify certain guidance within ASU 2014-09. ASU 2014-09 may be adopted on a full retrospective basis and applied to all prior periods presented, or on a modified retrospective basis through a cumulative adjustment recorded to opening retained earnings in the year of initial application.

The Company is currently in the process of evaluating the impact that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company's assessment efforts to date have included reviewing current accounting policies, processes, and arrangements to identify potential differences that could arise from the application of ASC 2014-09. Based on these efforts, the Company currently anticipates that the performance obligations underlying its core revenue streams (i.e., its retail and

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

wholesale businesses), and the timing of recognition thereof, will remain substantially unchanged. Revenues for these businesses are generated through the sale of finished products, and will continue to be recognized at the point in time when merchandise is transferred to the customer and in an amount that considers the impacts of estimated returns, end-of-season markdowns, and other allowances that are variable in nature. For its licensing business, which has historically comprised approximately 2% of total revenues, the Company is currently assessing whether the timing of recognizing contractually guaranteed minimum royalty amounts will change. Beyond its core revenue streams, the Company is also currently evaluating the impact of ASU 2014-09 on certain ancillary transactions and arrangements.

The Company will adopt ASU 2014-09 in its fiscal year ending March 30, 2019 ("Fiscal 2019") and anticipates doing so using the modified retrospective method through a cumulative adjustment recorded to the opening Fiscal 2019 retained earnings balance.

5. Property and Equipment

Property and equipment, net consists of the following:

	July 1, 2017	April 1, 2017
	(millions)	
Land and improvements	\$ 16.8	\$ 16.8
Buildings and improvements	457.7	457.2
Furniture and fixtures	690.6	687.2
Machinery and equipment	420.1	414.0
Capitalized software	558.2	549.0
Leasehold improvements	1,175.2	1,179.1
Construction in progress	21.8	33.4
	3,340.4	3,336.7
Less: accumulated depreciation	(2,067.1)	(2,020.7)
Property and equipment, net	<u>\$ 1,273.3</u>	<u>\$ 1,316.0</u>

6. Other Assets and Liabilities

Prepaid expenses and other current assets consist of the following:

	July 1, 2017	April 1, 2017
	(millions)	
Other taxes receivable	\$ 135.3	\$ 127.8
Prepaid rent expense	37.9	37.4
Restricted cash	14.0	9.8
Derivative financial instruments	13.5	23.0
Tenant allowances receivable	12.0	16.4
Prepaid samples	8.4	5.9
Prepaid software maintenance	8.0	6.5
Prepaid advertising and marketing	7.3	4.1
Other prepaid expenses and current assets	62.8	49.5
Total prepaid expenses and other current assets	<u>\$ 299.2</u>	<u>\$ 280.4</u>

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other non-current assets consist of the following:

	July 1, 2017	April 1, 2017
	(millions)	
Non-current investments	\$ 80.1	\$ 21.4
Restricted cash	32.0	33.7
Security deposits	26.4	26.5
Derivative financial instruments	—	9.6
Other non-current assets	36.2	40.0
Total other non-current assets	<u>\$ 174.7</u>	<u>\$ 131.2</u>

Accrued expenses and other current liabilities consist of the following:

	July 1, 2017	April 1, 2017
	(millions)	
Accrued inventory	\$ 211.6	\$ 154.9
Other taxes payable	203.8	172.2
Accrued operating expenses	196.8	188.0
Accrued payroll and benefits	142.0	173.5
Restructuring reserve	118.9	140.8
Dividends payable	40.6	40.5
Accrued capital expenditures	30.6	45.7
Deferred income	30.6	29.7
Capital lease obligations	22.1	22.6
Derivative financial instruments	16.0	12.3
Other accrued expenses and current liabilities	6.4	2.5
Total accrued expenses and other current liabilities	<u>\$ 1,019.4</u>	<u>\$ 982.7</u>

Other non-current liabilities consist of the following:

	July 1, 2017	April 1, 2017
	(millions)	
Capital lease obligations	\$ 246.7	\$ 250.9
Deferred rent obligations	209.7	211.1
Derivative financial instruments	39.2	9.4
Deferred tax liabilities	12.1	11.8
Deferred compensation	7.4	7.8
Other non-current liabilities	66.8	50.6
Total other non-current liabilities	<u>\$ 581.9</u>	<u>\$ 541.6</u>

7. Impairment of Assets

During the three-month periods ended July 1, 2017 and July 2, 2016, the Company recorded non-cash impairment charges of \$9.7 million and \$19.4 million, primarily to write off certain fixed assets related to its domestic and international stores, shop-within-shops, and corporate offices in connection with the Way Forward Plan (see Note 8).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Restructuring and Other Charges

A description of significant restructuring and other activities and related costs is included below.

Way Forward Plan

On June 2, 2016, the Company's Board of Directors approved a restructuring plan with the objective of delivering sustainable, profitable sales growth and long-term value creation for shareholders (the "Way Forward Plan"). The Company is refocusing on its core brands and evolving its product, marketing, and shopping experience to increase desirability and relevance. It is also evolving its operating model to enable sustainable, profitable sales growth by significantly improving quality of sales, reducing supply chain lead times, improving its sourcing, and executing a disciplined multi-channel distribution and expansion strategy. As part of the Way Forward Plan, the Company is rightsizing its cost structure and implementing a return on investment-driven financial model to free up resources to invest in the brand and drive high-quality sales. The Way Forward Plan includes strengthening the Company's leadership team and creating a more nimble organization by moving from an average of nine to six layers of management. The Way Forward Plan also includes the discontinuance of the Company's Denim & Supply brand and the integration of its denim product offerings into its Polo Ralph Lauren brand. Collectively, these actions, which were substantially completed during Fiscal 2017, resulted in a reduction in workforce and the closure of certain stores and shop-within-shops.

On March 30, 2017, the Company's Board of Directors approved the following additional restructuring-related activities associated with its Way Forward Plan: (i) the restructuring of its in-house global e-commerce platform which was in development and shifting to a more cost-effective, flexible e-commerce platform through a new agreement with Salesforce's Commerce Cloud, formerly known as Demandware; (ii) the closure of its Polo store at 711 Fifth Avenue in New York City; and (iii) the further streamlining of the organization and the execution of other key corporate actions in line with the Company's Way Forward Plan. Together, these actions are an important part of the Company's efforts to achieve its stated objective to return to sustainable, profitable growth and invest in the future. These additional restructuring-related activities will result in a further reduction in workforce and the closure of certain corporate office and store locations, and are expected to be substantially completed by the end of Fiscal 2018.

In connection with the Way Forward Plan, the Company currently expects to incur total estimated charges of approximately \$770 million, comprised of cash-related restructuring charges of approximately \$450 million and non-cash charges of approximately \$320 million. Cumulative cash and non-cash charges incurred since inception were \$315.7 million and \$287.7 million, respectively. In addition to these charges, the Company also incurred an additional non-cash charge of \$155.2 million during Fiscal 2017 associated with the destruction of inventory out of current liquidation channels in line with its Way Forward Plan.

A summary of the charges recorded in connection with the Way Forward Plan during the three-month periods ended July 1, 2017 and July 2, 2016, as well as the cumulative charges recorded since its inception, is as follows:

	Three Months Ended		Cumulative Charges
	July 1, 2017	July 2, 2016	
	(millions)		
Cash-related restructuring charges:			
Severance and benefit costs	\$ 11.7	\$ 77.1	\$ 194.4
Lease termination and store closure costs	12.2	1.8	99.5
Other cash charges	2.7	1.9	21.8
Total cash-related restructuring charges	26.6	80.8	315.7
Non-cash charges:			
Impairment of assets (see Note 7)	9.7	19.4	244.3
Inventory-related charges ^(a)	0.7	54.0	198.6
Total non-cash charges	10.4	73.4	442.9
Total charges	\$ 37.0	\$ 154.2	\$ 758.6

^(a) Cumulative inventory-related charges include \$155.2 million associated with the destruction of inventory out of current liquidation channels, of which \$50.3 million was recorded during the three months ended July 2, 2016. Inventory-related charges are recorded within cost of goods sold in the consolidated statements of operations.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A summary of current period activity in the restructuring reserve related to the Way Forward Plan is as follows:

	Severance and Benefit Costs	Lease Termination and Store Closure Costs	Other Cash Charges	Total
	(millions)			
Balance at April 1, 2017	\$ 94.3	\$ 34.3	\$ 6.6	\$ 135.2
Additions charged to expense	11.7	12.2	2.7	26.6
Cash payments charged against reserve	(24.6)	(4.0)	(4.4)	(33.0)
Non-cash adjustments	0.6	4.9	—	5.5
Balance at July 1, 2017	<u>\$ 82.0</u>	<u>\$ 47.4</u>	<u>\$ 4.9</u>	<u>\$ 134.3</u>

Global Reorganization Plan

On May 12, 2015, the Company's Board of Directors approved a reorganization and restructuring plan comprised of the following major actions: (i) the reorganization of the Company's operating structure in order to streamline the Company's business processes to better align its cost structure with its long-term growth strategy; (ii) a strategic store and shop-within-shop performance review conducted by region and brand; (iii) a targeted corporate functional area review; and (iv) the consolidation of certain of the Company's luxury lines (collectively, the "Global Reorganization Plan"). The Global Reorganization Plan resulted in a reduction in workforce and the closure of certain stores and shop-within-shops.

Actions associated with the Global Reorganization Plan were completed by the end of the first quarter of Fiscal 2017 and no additional charges are expected to be incurred in relation to this plan. A summary of the charges recorded in connection with the Global Reorganization Plan during the three months ended July 2, 2016, as well as the cumulative charges recorded since its inception, is as follows:

	Three Months Ended July 2, 2016	Cumulative Charges
	(millions)	
Cash-related restructuring charges:		
Severance and benefit costs	\$ 4.7	\$ 69.1
Lease termination and store closure costs	0.2	8.0
Other cash charges	—	13.8
Total cash-related restructuring charges	<u>4.9</u>	<u>90.9</u>
Non-cash charges:		
Impairment of assets (see Note 7)	—	27.2
Accelerated stock-based compensation expense ^(a)	—	8.9
Inventory-related charges ^(b)	—	20.4
Total non-cash charges	<u>—</u>	<u>56.5</u>
Total charges	<u>\$ 4.9</u>	<u>\$ 147.4</u>

^(a) Accelerated stock-based compensation expense, which is recorded within restructuring and other charges in the consolidated statements of operations, was recorded in connection with vesting provisions associated with certain separation agreements.

^(b) Inventory-related charges are recorded within cost of goods sold in the consolidated statements of operations.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A summary of current period activity in the restructuring reserve related to the Global Reorganization Plan is as follows:

	Severance and Benefit Costs	Lease Termination and Store Closure Costs	Other Cash Charges	Total
	(millions)			
Balance at April 1, 2017	\$ 8.6	\$ 3.4	\$ 0.2	\$ 12.2
Cash payments charged against reserve	(1.5)	(0.7)	—	(2.2)
Balance at July 1, 2017	\$ 7.1	\$ 2.7	\$ 0.2	\$ 10.0

Other Charges

During the three months ended July 1, 2017, the Company recorded other charges of \$6.7 million (inclusive of accelerated stock-based compensation expense of \$2.1 million), primarily related to the departure of Mr. Stefan Larsson as the Company's President and Chief Executive Officer and as a member of its Board of Directors, effective as of May 1, 2017. Refer to Note 10 of the Fiscal 2017 10-K for additional discussion regarding Mr. Larsson's departure.

Additionally, during the three months ended July 1, 2017, the Company recorded other charges of \$3.5 million related to depreciation expense associated with the Company's former Polo store at 711 Fifth Avenue in New York City, recorded after the store closed during the first quarter of Fiscal 2018 in connection with the Way Forward Plan. Although the Company is no longer generating revenue or has any other economic activity associated with its former Polo store, it continues to incur depreciation expense due to its involvement at the time of construction.

9. Income Taxes

Effective Tax Rate

The Company's effective tax rate, which is calculated by dividing each fiscal period's income tax benefit (provision) by pretax income (loss), was 31.4% and 32.8% during the three-month periods ended July 1, 2017 and July 2, 2016, respectively. The effective tax rates in both periods presented were lower than the U.S. federal statutory income tax rate of 35% as a result of the proportion of earnings generated in lower taxed foreign jurisdictions versus the U.S. The effective tax rate for the three months ended July 1, 2017 also reflected the negative impact of the adoption of ASU 2016-09 (see Note 4). The effective tax rate for the three months ended July 2, 2016 was also lower than the statutory income tax rate, resulting in a decrease to the tax benefit, due to additional income tax reserves mainly associated with an anticipated tax settlement, partially offset by state income tax reserve releases.

Uncertain Income Tax Benefits

The Company classifies interest and penalties related to unrecognized tax benefits as part of its income tax benefit (provision). The total amount of unrecognized tax benefits, including interest and penalties, was \$64.7 million and \$62.7 million as of July 1, 2017 and April 1, 2017, respectively, and is included within non-current liability for unrecognized tax benefits in the consolidated balance sheets. The net addition of \$2.0 million in unrecognized tax benefits, including interest and penalties, primarily related to additional unrecognized tax benefits recorded.

The total amount of unrecognized tax benefits that, if recognized, would affect the Company's effective tax rate was \$49.3 million and \$46.7 million as of July 1, 2017 and April 1, 2017, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Future Changes in Unrecognized Tax Benefits

The total amount of unrecognized tax benefits relating to the Company's tax positions is subject to change based on future events including, but not limited to, settlements of ongoing tax audits and assessments and the expiration of applicable statutes of limitations. Although the outcomes and timing of such events are highly uncertain, the Company does not anticipate that the balance of gross unrecognized tax benefits, excluding interest and penalties, will change significantly during the next twelve months. However, changes in the occurrence, expected outcomes, and timing of such events could cause the Company's current estimate to change materially in the future.

The Company files a consolidated U.S. federal income tax return, as well as tax returns in various state, local, and foreign jurisdictions. The Company is generally no longer subject to income tax examinations for years prior to its fiscal year ended April 1, 2006.

10. Debt

Debt consists of the following:

	July 1, 2017	April 1, 2017
	(millions)	
\$300 million 2.125% Senior Notes ^(a)	\$ 298.4	\$ 298.1
\$300 million 2.625% Senior Notes ^(b)	292.0	290.1
Total long-term debt	<u>\$ 590.4</u>	<u>\$ 588.2</u>

^(a) During its fiscal year ended April 2, 2016 ("Fiscal 2016"), the Company entered into an interest rate swap contract which it designated as a hedge against changes in the fair value of its fixed-rate 2.125% Senior Notes, as defined below (see Note 12). Accordingly, the carrying value of the 2.125% Senior Notes as of July 1, 2017 and April 1, 2017 reflects adjustments of \$1.0 million and \$1.2 million, respectively, for the change in fair value attributable to the benchmark interest rate. The carrying value of the 2.125% Senior Notes is also net of unamortized debt issuance costs and discount of \$0.6 million and \$0.7 million as of July 1, 2017 and April 1, 2017, respectively.

^(b) During Fiscal 2016, the Company entered into an interest rate swap contract which it designated as a hedge against changes in the fair value of its fixed-rate 2.625% Senior Notes, as defined below (see Note 12). Accordingly, the carrying value of the 2.625% Senior Notes as of July 1, 2017 and April 1, 2017 reflects adjustments of \$6.5 million and \$8.2 million, respectively, for the change in fair value attributable to the benchmark interest rate. The carrying value of the 2.625% Senior Notes is also net of unamortized debt issuance costs and discount of \$1.5 million and \$1.7 million as of July 1, 2017 and April 1, 2017, respectively.

Senior Notes

In September 2013, the Company completed a registered public debt offering and issued \$300 million aggregate principal amount of unsecured senior notes due September 26, 2018, which bear interest at a fixed rate of 2.125%, payable semi-annually (the "2.125% Senior Notes"). The 2.125% Senior Notes were issued at a price equal to 99.896% of their principal amount. The proceeds from this offering were used for general corporate purposes, including repayment of the Company's previously outstanding €209 million principal amount of 4.5% Euro-denominated notes, which matured on October 4, 2013.

In August 2015, the Company completed a second registered public debt offering and issued an additional \$300 million aggregate principal amount of unsecured senior notes due August 18, 2020, which bear interest at a fixed rate of 2.625%, payable semi-annually (the "2.625% Senior Notes"). The 2.625% Senior Notes were issued at a price equal to 99.795% of their principal amount. The proceeds from this offering were used for general corporate purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company has the option to redeem the 2.125% Senior Notes and 2.625% Senior Notes (collectively, the "Senior Notes"), in whole or in part, at any time at a price equal to accrued and unpaid interest on the redemption date, plus the greater of (i) 100% of the principal amount of the series of Senior Notes to be redeemed or (ii) the sum of the present value of Remaining Scheduled Payments, as defined in the supplemental indentures governing such Senior Notes (together with the indenture governing the Senior Notes, the "Indenture"). The Indenture contains certain covenants that restrict the Company's ability, subject to specified exceptions, to incur certain liens; enter into sale and leaseback transactions; consolidate or merge with another party; or sell, lease, or convey all or substantially all of the Company's property or assets to another party. However, the Indenture does not contain any financial covenants.

Commercial Paper

In May 2014, the Company initiated a commercial paper borrowing program (the "Commercial Paper Program") that allowed it to issue up to \$300 million of unsecured commercial paper notes through private placement using third-party broker-dealers. In May 2015, the Company expanded its Commercial Paper Program to allow for a total issuance of up to \$500 million of unsecured commercial paper notes.

Borrowings under the Commercial Paper Program are supported by the Global Credit Facility, as defined below. Accordingly, the Company does not expect combined borrowings outstanding under the Commercial Paper Program and Global Credit Facility to exceed \$500 million. Commercial Paper Program borrowings may be used to support the Company's general working capital and corporate needs. Maturities of commercial paper notes vary, but cannot exceed 397 days from the date of issuance. Commercial paper notes issued under the Commercial Paper Program rank equally with the Company's other forms of unsecured indebtedness. As of July 1, 2017, there were no borrowings outstanding under the Commercial Paper Program.

Revolving Credit Facilities***Global Credit Facility***

In February 2015, the Company entered into an amended and restated credit facility (which was further amended in March 2016) that provides for a \$500 million senior unsecured revolving line of credit through February 11, 2020 (the "Global Credit Facility") under terms and conditions substantially similar to those previously in effect. The Global Credit Facility is also used to support the issuance of letters of credit and the maintenance of the Commercial Paper Program. Borrowings under the Global Credit Facility may be denominated in U.S. Dollars and other currencies, including Euros, Hong Kong Dollars, and Japanese Yen. The Company has the ability to expand its borrowing availability under the Global Credit Facility to \$750 million, subject to the agreement of one or more new or existing lenders under the facility to increase their commitments. There are no mandatory reductions in borrowing ability throughout the term of the Global Credit Facility. As of July 1, 2017, there were no borrowings outstanding under the Global Credit Facility and the Company was contingently liable for \$10.2 million of outstanding letters of credit.

The Global Credit Facility contains a number of covenants that, among other things, restrict the Company's ability, subject to specified exceptions, to incur additional debt; incur liens; sell or dispose of assets; merge with or acquire other companies; liquidate or dissolve itself; engage in businesses that are not in a related line of business; make loans, advances, or guarantees; engage in transactions with affiliates; and make certain investments. The Global Credit Facility also requires the Company to maintain a maximum ratio of Adjusted Debt to Consolidated EBITDAR (the "leverage ratio") of no greater than 3.75 as of the date of measurement for the four most recent consecutive fiscal quarters. Adjusted Debt is defined generally as consolidated debt outstanding plus four times consolidated rent expense for the four most recent consecutive fiscal quarters. Consolidated EBITDAR is defined generally as consolidated net income plus (i) income tax expense, (ii) net interest expense, (iii) depreciation and amortization expense, (iv) consolidated rent expense, (v) restructuring and other non-recurring expenses, and (vi) acquisition-related costs. As of July 1, 2017, no Event of Default (as such term is defined pursuant to the Global Credit Facility) has occurred under the Company's Global Credit Facility.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Pan-Asia Credit Facilities

Certain of the Company's subsidiaries in Asia have uncommitted credit facilities with regional branches of JPMorgan Chase (the "Banks") in China and South Korea (the "Pan-Asia Credit Facilities"). These credit facilities are subject to annual renewal and may be used to fund general working capital and corporate needs of the Company's operations in the respective countries. Borrowings under the Pan-Asia Credit Facilities are guaranteed by the parent company and are granted at the sole discretion of the Banks, subject to availability of the Banks' funds and satisfaction of certain regulatory requirements. The Pan-Asia Credit Facilities do not contain any financial covenants. The Company's Pan-Asia Credit Facilities by country are as follows:

- China Credit Facility — provides Ralph Lauren Trading (Shanghai) Co., Ltd. with a revolving line of credit of up to 50 million Chinese Renminbi (approximately \$7 million) through April 5, 2018, and may also be used to support bank guarantees.
- South Korea Credit Facility — provides Ralph Lauren (Korea) Ltd. with a revolving line of credit of up to 47 billion South Korean Won (approximately \$41 million) through October 31, 2017.

As of July 1, 2017, there were no borrowings outstanding under the Pan-Asia Credit Facilities.

Refer to Note 12 of the Fiscal 2017 10-K for additional discussion of the terms and conditions of the Company's debt and credit facilities.

11. Fair Value Measurements

U.S. GAAP establishes a three-level valuation hierarchy for disclosure of fair value measurements. The determination of the applicable level within the hierarchy for a particular asset or liability depends on the inputs used in its valuation as of the measurement date, notably the extent to which the inputs are market-based (observable) or internally-derived (unobservable). A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

- Level 1 — inputs to the valuation methodology based on quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 — inputs to the valuation methodology based on quoted prices for similar assets or liabilities in active markets for substantially the full term of the financial instrument; quoted prices for identical or similar instruments in markets that are not active for substantially the full term of the financial instrument; and model-derived valuations whose inputs or significant value drivers are observable.
- Level 3 — inputs to the valuation methodology based on unobservable prices or valuation techniques that are significant to the fair value measurement.

The following table summarizes the Company's financial assets and liabilities that are measured and recorded at fair value on a recurring basis, excluding accrued interest components:

	July 1, 2017	April 1, 2017
	(millions)	
Derivative assets ^(a)	\$ 13.5	\$ 32.6
Derivative liabilities ^(a)	55.2	21.7

^(a) Based on Level 2 measurements.

The Company's derivative financial instruments are recorded at fair value in its consolidated balance sheets and are valued using pricing models that are primarily based on market observable external inputs, including spot and forward currency exchange rates, benchmark interest rates, and discount rates consistent with the instrument's tenor, and consider the impact of the Company's own credit risk, if any. Changes in counterparty credit risk are also considered in the valuation of derivative financial instruments.

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

To the extent the Company invests in bonds, such investments are classified as available-for-sale and recorded at fair value in its consolidated balance sheets based upon quoted prices in active markets.

The Company's cash and cash equivalents, restricted cash, and time deposits are recorded at carrying value, which approximates fair value based on Level 1 measurements.

The Company's debt instruments are recorded at their carrying values in its consolidated balance sheets, which may differ from their respective fair values. The fair values of the Senior Notes are estimated based on external pricing data, including available quoted market prices, and with reference to comparable debt instruments with similar interest rates, credit ratings, and trading frequency, among other factors. The fair values of the Company's commercial paper notes and borrowings outstanding under its credit facilities, if any, are estimated using external pricing data, based on interest rates and credit ratings for similar issuances with the same remaining term as the Company's outstanding borrowings. Due to their short-term nature, the fair values of the Company's commercial paper notes and borrowings outstanding under its credit facilities, if any, generally approximate their carrying values.

The following table summarizes the carrying values and the estimated fair values of the Company's debt instruments:

	July 1, 2017		April 1, 2017	
	Carrying Value ^(a)	Fair Value ^(b)	Carrying Value ^(a)	Fair Value ^(b)
	(millions)			
\$300 million 2.125% Senior Notes	\$ 298.4	\$ 302.0	\$ 298.1	\$ 302.2
\$300 million 2.625% Senior Notes	292.0	305.0	290.1	302.8

^(a) See Note 10 for discussion of the carrying values of the Company's Senior Notes.

^(b) Based on Level 2 measurements.

Unrealized gains or losses resulting from changes in the fair value of the Company's debt do not result in the realization or expenditure of cash, unless the debt is retired prior to its maturity.

Non-financial Assets and Liabilities

The Company's non-financial assets, which primarily consist of goodwill, other intangible assets, and property and equipment, are not required to be measured at fair value on a recurring basis and are reported at carrying value. However, on a periodic basis or whenever events or changes in circumstances indicate that their carrying value may not be fully recoverable (and at least annually for goodwill and indefinite-lived intangible assets), non-financial instruments are assessed for impairment and, if applicable, written down to and recorded at fair value, considering external market participant assumptions.

During the three-month periods ended July 1, 2017 and July 2, 2016, the Company recorded non-cash impairment charges of \$9.7 million and \$19.4 million, respectively, to fully write off the carrying values of certain long-lived assets based upon their assumed fair values of zero. The fair values of these assets were determined based on Level 3 measurements. Inputs to these fair value measurements included estimates of the amount and timing of the assets' net future discounted cash flows based on historical experience, current trends, and market conditions. See Note 7 for further discussion of the non-cash impairment charges recorded by the Company during the fiscal periods presented.

No goodwill impairment charges were recorded during either of the three-month periods ended July 1, 2017 or July 2, 2016.

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Financial Instruments

Derivative Financial Instruments

The Company is exposed to changes in foreign currency exchange rates, primarily relating to certain anticipated cash flows and the value of the reported net assets of its international operations, as well as changes in the fair value of its fixed-rate debt attributed to changes in the benchmark interest rate. Consequently, the Company uses derivative financial instruments to manage and mitigate such risks. The Company does not enter into derivative transactions for speculative or trading purposes.

The following table summarizes the Company's outstanding derivative instruments on a gross basis as recorded in its consolidated balance sheets as of July 1, 2017 and April 1, 2017:

Derivative Instrument ^(a)	Notional Amounts		Derivative Assets				Derivative Liabilities			
	July 1, 2017	April 1, 2017	July 1, 2017		April 1, 2017		July 1, 2017		April 1, 2017	
			Balance Sheet Line ^(b)	Fair Value	Balance Sheet Line ^(b)	Fair Value	Balance Sheet Line ^(b)	Fair Value	Balance Sheet Line ^(b)	Fair Value
(millions)										
Designated Hedges:										
FC — Cash flow hedges	\$ 468.5	\$ 533.2	PP	\$ 4.4	PP	\$ 17.7	AE	\$ 11.5	AE	\$ 3.7
IRS — Fixed-rate debt	600.0	600.0		—		—	ONCL	7.5	ONCL	9.4
CCS — NI	633.6	591.2		—	ONCA	9.6	ONCL	31.7		—
Total Designated Hedges	1,702.1	1,724.4		4.4		27.3		50.7		13.1
Undesignated Hedges:										
FC — Undesignated hedges ^(c)	340.1	375.1	PP	9.1	PP	5.3	AE	4.5	AE	8.6
Total Hedges	\$ 2,042.2	\$ 2,099.5		\$ 13.5		\$ 32.6		\$ 55.2		\$ 21.7

^(a) FC = Forward foreign currency exchange contracts; IRS = Interest rate swap contracts; CCS = Cross-currency swap contracts; NI = Net investment hedges.

^(b) PP = Prepaid expenses and other current assets; AE = Accrued expenses and other current liabilities; ONCA = Other non-current assets; ONCL = Other non-current liabilities.

^(c) Primarily includes undesignated hedges of foreign currency-denominated intercompany loans and other intercompany balances.

The Company records and presents the fair values of all of its derivative assets and liabilities in its consolidated balance sheets on a gross basis, even when they are subject to master netting arrangements. However, if the Company were to offset and record the asset and liability balances of all of its derivative instruments on a net basis in accordance with the terms of each of its master netting arrangements, spread across eight separate counterparties, the amounts presented in the consolidated balance sheets as of July 1, 2017 and April 1, 2017 would be adjusted from the current gross presentation as detailed in the following table:

	July 1, 2017			April 1, 2017		
	Gross Amounts Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet that are Subject to Master Netting Agreements	Net Amount	Gross Amounts Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet that are Subject to Master Netting Agreements	Net Amount
(millions)						
Derivative assets	\$ 13.5	\$ (8.4)	\$ 5.1	\$ 32.6	\$ (18.3)	\$ 14.3
Derivative liabilities	55.2	(8.4)	46.8	21.7	(18.3)	3.4

The Company's master netting arrangements do not require cash collateral to be pledged by the Company or its counterparties. See Note 3 for further discussion of the Company's master netting arrangements.

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables summarize the pretax impact of the effective portion of gains and losses from the Company's designated derivative instruments on its consolidated financial statements for the three-month periods ended July 1, 2017 and July 2, 2016:

	Gains (Losses) Recognized in OCI		
	Three Months Ended		
	July 1, 2017	July 2, 2016	
	(millions)		
<u>Designated Hedges:</u>			
FC — Cash flow hedges	\$ (19.1)	\$ (5.2)	
CCS — NI ^(a)	(40.3)	13.0	
Total Designated Hedges	<u>\$ (59.4)</u>	<u>\$ 7.8</u>	
	Gains (Losses) Reclassified from AOCI to Earnings		
	Three Months Ended		
	July 1, 2017	July 2, 2016	Location of Gains (Losses) Reclassified from AOCI to Earnings
	(millions)		
<u>Designated Hedges:</u>			
FC — Cash flow hedges	\$ 4.0	\$ 3.3	Cost of goods sold
FC — Cash flow hedges	(0.6)	(4.7)	Foreign currency gains (losses)
Total Designated Hedges	<u>\$ 3.4</u>	<u>\$ (1.4)</u>	

^(a) Amounts recognized in other comprehensive income (loss) ("OCI") would be recognized in earnings only upon the sale or liquidation of the hedged net investment.

As of July 1, 2017, it is expected that \$6.4 million of pretax net losses on both outstanding and matured derivative instruments deferred in AOCI will be recognized in earnings over the next twelve months. The amounts ultimately recognized in earnings will depend on exchange rates in effect when outstanding derivative instruments are settled. No material gains or losses relating to ineffective cash flow hedges were recognized during any of the fiscal periods presented.

The following table summarizes the pretax impact of gains and losses from the Company's undesignated derivative instruments on its consolidated financial statements for the three-month periods ended July 1, 2017 and July 2, 2016:

	Gains (Losses) Recognized in Earnings		Location of Gains (Losses) Recognized in Earnings
	Three Months Ended		
	July 1, 2017	July 2, 2016	
	(millions)		
<u>Undesignated Hedges:</u>			
FC — Undesignated hedges	\$ 2.6	\$ (7.5)	Foreign currency gains (losses)
Total Undesignated Hedges	\$ 2.6	\$ (7.5)	

Risk Management Strategies

Forward Foreign Currency Exchange Contracts

The Company uses forward foreign currency exchange contracts to reduce its risk related to exchange rate fluctuations on inventory transactions made in an entity's non-functional currency, intercompany royalty payments made by certain of its international operations, and the settlement of foreign currency-denominated balances. As part of its overall strategy to manage the level of exposure to the risk of foreign currency exchange rate fluctuations, primarily to changes in the value of the Euro, the Japanese Yen, the South Korean Won, the Australian Dollar, the Canadian Dollar, the British Pound Sterling, and the Hong Kong

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Dollar, the Company hedges a portion of its foreign currency exposures anticipated over a two-year period. In doing so, the Company uses forward foreign currency exchange contracts that generally have maturities of two months to two years to provide continuing coverage throughout the hedging period of the respective exposure.

Interest Rate Swap Contracts

During Fiscal 2016, the Company entered into two pay-floating rate, receive-fixed rate interest rate swap contracts which it designated as hedges against changes in the respective fair values of its fixed-rate 2.125% Senior Notes and its fixed-rate 2.625% Senior Notes attributed to changes in the benchmark interest rate (the "Interest Rate Swaps"). The Interest Rate Swaps, which mature on September 26, 2018 and August 18, 2020, respectively, both have notional amounts of \$300 million and swap the fixed interest rates on the Company's 2.125% Senior Notes and 2.625% Senior Notes for variable interest rates based on the 3-month London Interbank Offered Rate ("LIBOR") plus a fixed spread. Changes in the fair values of the Interest Rate Swaps were offset by changes in the fair values of the 2.125% Senior Notes and 2.625% Senior Notes attributed to changes in the benchmark interest rate, with no resulting ineffectiveness recognized in earnings during any of the fiscal periods presented.

Cross-Currency Swap Contracts

During Fiscal 2016, the Company entered into two pay-floating rate, receive-floating rate cross-currency swap contracts, with notional amounts of €280 million and €274 million, which it designated as hedges of its net investment in certain of its European subsidiaries (the "Cross-Currency Swaps"). The Cross-Currency Swaps, which mature on September 26, 2018 and August 18, 2020, respectively, swap the U.S. Dollar-denominated variable interest rate payments based on 3-month LIBOR plus a fixed spread (as paid under the Interest Rate Swaps described above) for Euro-denominated variable interest rate payments based on the 3-month Euro Interbank Offered Rate plus a fixed spread. As a result, the Cross-Currency Swaps, in conjunction with the Interest Rate Swaps, economically convert the Company's \$300 million fixed-rate 2.125% and \$300 million fixed-rate 2.625% obligations to €280 million and €274 million floating-rate Euro-denominated liabilities, respectively. No material gains or losses related to the ineffective portion, or the amount excluded from effectiveness testing, were recognized in interest expense within the consolidated statements of operations during any of the fiscal periods presented.

See Note 3 for further discussion of the Company's accounting policies relating to its derivative financial instruments.

Investments

As of July 1, 2017, the Company's short-term investments consisted of \$740.5 million of time deposits and its non-current investments consisted of \$80.1 million of time deposits. As of April 1, 2017, the Company's short-term investments consisted of \$684.7 million of time deposits and its non-current investments consisted of \$21.4 million of time deposits.

No significant realized or unrealized gains or losses on available-for-sale investments or other-than-temporary impairment charges were recorded during any of the fiscal periods presented.

Refer to Note 3 of the Fiscal 2017 10-K for further discussion of the Company's accounting policies relating to its investments.

13. Commitments and Contingencies*Customs Audit*

In September 2014, one of the Company's international subsidiaries received a pre-assessment notice from the relevant customs officials concerning the method used to determine the dutiable value of imported inventory. The notice communicated the customs officials' assertion that the Company should have applied an alternative duty method, which could result in up to \$46 million in incremental duty and non-creditable value-added tax, including \$11 million in interest and penalties. The Company believes that the alternative duty method claimed by the customs officials is not applicable to the Company's facts and circumstances and is vigorously contesting their asserted methodology.

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In October 2014, the Company filed an appeal of the pre-assessment notice in accordance with the standard procedures established by the relevant customs authorities. In response to the filing of the Company's appeal of the pre-assessment notice, the review committee instructed the customs officials to reconsider their assertion of the alternative duty method and conduct a re-audit to evaluate the facts and circumstances noted in the pre-assessment notice. In December 2015, the Company received the results of the re-audit conducted and a customs audit assessment notice in the amount of \$34.1 million, which the Company recorded within restructuring and other charges in its consolidated statements of operations during the third quarter of Fiscal 2016. Although the Company disagrees with the assessment notice, in order to secure the Company's rights, the Company was required to pay the assessment amount and then subsequently file an appeal with the customs authorities. The Company continues to maintain its original filing position and will vigorously contest any other proposed methodology asserted by the customs officials. Should the Company be successful in its merits, a full refund for the amounts paid plus interest will be required to be paid by the customs authorities. If the Company is unsuccessful in its current appeal with the customs authorities, it may further appeal this decision within the courts. At this time, while the Company believes that the customs officials' claims are not meritorious and that the Company should prevail, the outcome of the appeals process is subject to risk and uncertainty.

Other Matters

The Company is involved, from time to time, in litigation, other legal claims, and proceedings involving matters associated with or incidental to its business, including, among other things, matters involving credit card fraud, trademark and other intellectual property, licensing, importation and exportation of its products, taxation, unclaimed property, and employee relations. The Company believes at present that the resolution of currently pending matters will not individually or in the aggregate have a material adverse effect on its consolidated financial statements. However, the Company's assessment of any current litigation or other legal claims could potentially change in light of the discovery of facts not presently known or determinations by judges, juries, or other finders of fact which are not in accord with management's evaluation of the possible liability or outcome of such litigation or claims.

In the normal course of business, the Company enters into agreements that provide general indemnifications. The Company has not made any significant indemnification payments under such agreements in the past, and does not currently anticipate incurring any material indemnification payments.

14. Equity

Summary of Changes in Equity

A reconciliation of the beginning and ending amounts of equity is presented below:

	Three Months Ended	
	July 1, 2017	July 2, 2016
	(millions)	
Balance at beginning of period	\$ 3,299.6	\$ 3,743.5
Comprehensive income (loss)	93.8	(33.2)
Dividends declared	(40.6)	(41.1)
Repurchases of common stock, including shares surrendered for tax withholdings	(14.4)	(114.9) ^(a)
Stock-based compensation	21.6	17.7
Shares issued and tax benefits (shortfalls) recognized pursuant to stock-based compensation arrangements	0.1	(5.7)
Balance at end of period	<u>\$ 3,360.1</u>	<u>\$ 3,566.3</u>

^(a) Includes \$10 million of Class A common stock delivered to the Company under its ASR Program (as defined below) during the second quarter of Fiscal 2017, which was recorded as a reduction to additional paid-in capital in the Company's consolidated balance sheet as of July 2, 2016.

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Common Stock Repurchase Program

In June 2016, as part of its common stock repurchase program, the Company entered into an accelerated share repurchase program with a third-party financial institution under which it made an upfront payment of \$100 million in exchange for an initial delivery of 0.9 million shares of its Class A common stock, representing 90% of the total shares that were ultimately expected to be delivered over the program's term (the "ASR Program"). The initial shares received, which had an aggregate cost of \$90 million based on the June 20, 2016 closing share price, were immediately retired and recorded as an increase to treasury stock.

In September 2016, at the ASR Program's conclusion, the Company received 0.1 million additional shares and accordingly recorded a related \$10 million increase to treasury stock during the second quarter of Fiscal 2017. The number of additional shares delivered was based on the volume-weighted average price per share of the Company's Class A common stock over the term of the ASR Program, less an agreed upon discount. The average price per share paid for all of the shares delivered under the ASR Program was \$98.48.

A summary of the Company's repurchases of Class A common stock under its common stock repurchase program, including the ASR Program, during the three-month periods ended July 1, 2017 and July 2, 2016 is as follows:

	Three Months Ended	
	July 1, 2017	July 2, 2016 ^(a)
	(millions)	
Cost of shares repurchased	\$ —	\$ 90.0
Number of shares repurchased	0.0	0.9

^(a) Excludes 0.1 million additional shares of Class A common stock delivered to the Company under its ASR Program during the second quarter of Fiscal 2017, which had an aggregate cost of \$10 million.

As of July 1, 2017, the remaining availability under the Company's Class A common stock repurchase program was approximately \$100 million. Repurchases of shares of Class A common stock are subject to overall business and market conditions.

In addition, during each of the three-month periods ended July 1, 2017 and July 2, 2016, 0.2 million shares of Class A common stock, at a cost of \$14.4 million and \$14.9 million, respectively, were surrendered to or withheld by the Company in satisfaction of withholding taxes in connection with the vesting of awards under the Company's 1997 Long-Term Stock Incentive Plan, as amended (the "1997 Incentive Plan"), and its Amended and Restated 2010 Long-Term Stock Incentive Plan (the "2010 Incentive Plan").

Repurchased and surrendered shares are accounted for as treasury stock at cost and held in treasury for future use.

Dividends

Since 2003, the Company has maintained a regular quarterly cash dividend program on its common stock. The first quarter Fiscal 2018 dividend of \$0.50 per share was declared on June 16, 2017, was payable to stockholders of record at the close of business on June 30, 2017, and was paid on July 14, 2017. Dividends paid amounted to \$40.5 million and \$41.4 million during the three-month periods ended July 1, 2017 and July 2, 2016, respectively.

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Accumulated Other Comprehensive Income (Loss)

The following table presents OCI activity, net of tax, accumulated in equity:

	Foreign Currency Translation Gains (Losses) ^(a)	Net Unrealized Gains (Losses) on Cash Flow Hedges ^(b)	Net Unrealized Gains (Losses) on Defined Benefit Plans ^(c)	Total Accumulated Other Comprehensive Income (Loss)
(millions)				
Balance at April 2, 2016	\$ (157.6)	\$ (12.0)	\$ (11.9)	\$ (181.5)
Other comprehensive income (loss), net of tax:				
OCI before reclassifications	(9.0)	(3.3)	0.1	(12.2)
Amounts reclassified from AOCI to earnings	—	1.0	0.3	1.3
Other comprehensive income (loss), net of tax	(9.0)	(2.3)	0.4	(10.9)
Balance at July 2, 2016	<u>\$ (166.6)</u>	<u>\$ (14.3)</u>	<u>\$ (11.5)</u>	<u>\$ (192.4)</u>
Balance at April 1, 2017	\$ (206.2)	\$ 14.6	\$ (6.8)	\$ (198.4)
Other comprehensive income (loss), net of tax:				
OCI before reclassifications	56.6	(18.8)	(0.5)	37.3
Amounts reclassified from AOCI to earnings	—	(3.2)	0.2	(3.0)
Other comprehensive income (loss), net of tax	56.6	(22.0)	(0.3)	34.3
Balance at July 1, 2017	<u>\$ (149.6)</u>	<u>\$ (7.4)</u>	<u>\$ (7.1)</u>	<u>\$ (164.1)</u>

^(a) OCI before reclassifications to earnings related to foreign currency translation gains (losses) includes an income tax benefit of \$12.8 million for the three months ended July 1, 2017, and includes an income tax provision of \$4.5 million for the three months ended July 2, 2016. OCI before reclassifications to earnings for the three-month periods ended July 1, 2017 and July 2, 2016 include a loss of \$25.1 million (net of a \$15.2 million income tax benefit) and a gain of \$7.9 million (net of a \$5.1 million income tax provision), respectively, related to the effective portion of changes in the fair values of the Cross-Currency Swaps designated as hedges of the Company's net investment in certain of its European subsidiaries (see Note 12).

^(b) OCI before reclassifications to earnings related to net unrealized gains (losses) on cash flow hedges are net of income tax benefits of \$0.3 million and \$1.9 million for the three-month periods ended July 1, 2017 and July 2, 2016, respectively. The tax effects on amounts reclassified from AOCI to earnings are presented in a table below.

^(c) Activity is presented net of taxes, which were immaterial for both periods presented.

The following table presents reclassifications from AOCI to earnings for cash flow hedges, by component:

	Three Months Ended		Location of Gains (Losses) Reclassified from AOCI to Earnings
	July 1, 2017	July 2, 2016	
	(millions)		
Gains (losses) on cash flow hedges(a):			
FC — Cash flow hedges	\$ 4.0	\$ 3.3	Cost of goods sold
FC — Cash flow hedges	(0.6)	(4.7)	Foreign currency gains (losses)
Tax effect	(0.2)	0.4	Income tax benefit (provision)
Net of tax	\$ 3.2	\$ (1.0)	

^(a) FC = Forward foreign currency exchange contracts.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Stock-based Compensation

The Company's stock-based compensation awards are currently issued under the 2010 Incentive Plan, which was approved by its stockholders on August 5, 2010. However, any prior awards granted under the 1997 Incentive Plan remain subject to the terms of that plan. Any awards that expire, are forfeited, or are surrendered to the Company in satisfaction of taxes are available for issuance under the 2010 Incentive Plan.

Refer to Note 18 of the Fiscal 2017 10-K for a detailed description of the Company's stock-based compensation awards, including information related to vesting terms, service and performance conditions, and payout percentages.

Impact on Results

A summary of total stock-based compensation expense and the related income tax benefits recognized during the three-month periods ended July 1, 2017 and July 2, 2016 is as follows:

	Three Months Ended	
	July 1, 2017	July 2, 2016
	(millions)	
Compensation expense	\$ 21.6 ^(a)	\$ 17.7
Income tax benefit	(7.9)	(6.5)

^(a) Includes \$2.1 million of accelerated stock-based compensation expense recorded within restructuring and other charges in the consolidated statements of operations during the three-month period ended July 1, 2017 (see Note 8). All other stock-based compensation expense was recorded within SG&A expenses.

The Company issues its annual grants of stock-based compensation awards in the first half of each fiscal year. Due to the timing of the annual grants and other factors, including the timing and magnitude of forfeiture and performance goal achievement adjustments, as well as changes to the size and composition of the eligible employee population, stock-based compensation expense recognized during any given fiscal period is not indicative of the level of compensation expense expected to be incurred in future periods.

Stock Options

A summary of stock option activity under all plans during the three months ended July 1, 2017 is as follows:

	Number of Options
	(thousands)
Options outstanding at April 1, 2017	1,720
Granted	—
Exercised	—
Cancelled/Forfeited	(122)
Options outstanding at July 1, 2017	1,598

Restricted Stock Awards and Service-based RSUs

The fair values of restricted stock awards granted to non-employee directors are determined based on the fair value of the Company's Class A common stock on the date of grant. No such awards were granted during the three-month periods ended July 1, 2017 and July 2, 2016.

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The fair values of service-based RSUs granted to certain of the Company's senior executives, as well as to certain of its other employees, are based on the fair value of the Company's Class A common stock on the date of grant, adjusted to reflect the absence of dividends for any awards not entitled to accrue dividend equivalents while outstanding. The weighted-average grant date fair values of service-based RSU awards granted were \$72.83 and \$82.54 per share during the three-month periods ended July 1, 2017 and July 2, 2016, respectively.

A summary of restricted stock and service-based RSU activity during the three months ended July 1, 2017 is as follows:

	Number of Shares	
	Restricted Stock	Service-based RSUs
	(thousands)	
Nonvested at April 1, 2017	19	922
Granted	—	628
Vested	—	(294)
Forfeited	—	(58)
Nonvested at July 1, 2017	19	1,198

Performance-based RSUs

The fair values of the Company's performance-based RSUs that are not subject to a market condition in the form of a total shareholder return ("TSR") modifier are based on the fair value of the Company's Class A common stock on the date of grant, adjusted to reflect the absence of dividends for any awards not entitled to accrue dividend equivalents while outstanding. The weighted-average grant date fair values of performance-based RSUs that do not contain a TSR modifier granted during the three-month periods ended July 1, 2017 and July 2, 2016 were \$69.39 and \$85.59 per share, respectively.

The fair values of the Company's performance-based RSUs with a TSR modifier are determined on the date of grant using a Monte Carlo simulation valuation model. This pricing model uses multiple simulations to evaluate the probability of the Company achieving various stock price levels to determine its expected TSR performance ranking. No such awards were granted during the three-month periods ended July 1, 2017 and July 2, 2016.

A summary of performance-based RSU activity during the three months ended July 1, 2017 is as follows:

	Number of Shares	
	Performance-based RSUs — without TSR Modifier	Performance-based RSUs — with TSR Modifier
	(thousands)	
Nonvested at April 1, 2017	788	61
Granted	391	—
Change due to performance/market condition achievement	(12)	(21)
Vested	(149)	(40)
Forfeited	(21)	—
Nonvested at July 1, 2017	997	—

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Segment Information

The Company has three reportable segments based on its business activities and organization:

- *North America* — The North America segment primarily consists of sales of Ralph Lauren branded apparel, accessories, home furnishings, and related products made through the Company's wholesale and retail businesses in the U.S. and Canada, excluding Club Monaco. In North America, the Company's wholesale business is comprised primarily of sales to department stores, and to a lesser extent, specialty stores. The Company's retail business in North America is comprised of its Ralph Lauren stores, its factory stores, and its e-commerce site, www.RalphLauren.com.
- *Europe* — The Europe segment primarily consists of sales of Ralph Lauren branded apparel, accessories, home furnishings, and related products made through the Company's wholesale and retail businesses in Europe and the Middle East, excluding Club Monaco. In Europe, the Company's wholesale business is comprised of a varying mix of sales to both department stores and specialty stores, depending on the country. The Company's retail business in Europe is comprised of its Ralph Lauren stores, its factory stores, its concession-based shop-within-shops, and its various e-commerce sites.
- *Asia* — The Asia segment primarily consists of sales of Ralph Lauren branded apparel, accessories, home furnishings, and related products made through the Company's wholesale and retail businesses in Asia, Australia, and New Zealand. The Company's retail business in Asia is comprised of its Ralph Lauren stores, its factory stores, and its concession-based shop-within-shops. In addition, the Company sells its products through various third-party digital partner e-commerce sites. In Asia, the Company's wholesale business is comprised primarily of sales to department stores, with related products distributed through shop-within-shops.

No operating segments were aggregated to form the Company's reportable segments. In addition to these reportable segments, the Company also has other non-reportable segments, which primarily consist of (i) sales of Club Monaco branded products made through its retail businesses in the U.S., Canada, and Europe, and its licensing alliances in Europe and Asia, (ii) sales of Ralph Lauren branded products made through its wholesale business in Latin America, and (iii) royalty revenues earned through its global licensing alliances, excluding Club Monaco.

The Company's segment reporting structure is consistent with how it establishes its overall business strategy, allocates resources, and assesses performance of its business. The accounting policies of the Company's segments are consistent with those described in Notes 2 and 3 of the Fiscal 2017 10-K. Sales and transfers between segments are generally recorded at cost and treated as transfers of inventory. All intercompany revenues are eliminated in consolidation and are not reviewed when evaluating segment performance. Each segment's performance is evaluated based upon net revenues and operating income before restructuring charges and certain other one-time items, such as legal charges, if any. Certain corporate overhead expenses related to global functions, most notably the Company's executive office, information technology, finance and accounting, human resources, and legal departments, largely remain at corporate. Additionally, other costs that cannot be allocated to the segments based on specific usage are also maintained at corporate, including corporate advertising and marketing expenses, depreciation and amortization of corporate assets, and other general and administrative expenses resulting from corporate-level activities and projects.

During the fourth quarter of Fiscal 2017, the Company realigned its segment reporting structure as a result of significant organizational changes implemented in connection with the Way Forward Plan. Refer to Note 20 of the Company's Fiscal 2017 Form 10-K for further discussion. All prior period segment information has been recast to reflect the realignment of the Company's segment reporting structure on a comparative basis.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Net revenues and operating income (loss) for each of the Company's segments are as follows:

	Three Months Ended	
	July 1, 2017	July 2, 2016
	(millions)	
Net revenues:		
North America	\$ 709.7	\$ 855.6
Europe	323.5	377.6
Asia	209.1	211.1
Other non-reportable segments	104.8	107.9
Total net revenues	<u>\$ 1,347.1</u>	<u>\$ 1,552.2</u>

	Three Months Ended	
	July 1, 2017	July 2, 2016
	(millions)	
Operating income (loss)^(a):		
North America	\$ 150.5	\$ 165.8
Europe	67.1	75.0
Asia	30.2	(37.8)
Other non-reportable segments	33.0	27.8
	280.8	230.8
Unallocated corporate expenses	(153.7)	(176.3)
Unallocated restructuring and other charges ^(b)	(36.8)	(85.7)
Total operating income (loss)	<u>\$ 90.3</u>	<u>\$ (31.2)</u>

^(a) Segment operating income (loss) and unallocated corporate expenses during the three-month periods ended July 1, 2017 and July 2, 2016 included certain restructuring-related inventory charges (see Note 8) and asset impairment charges (see Note 7), which are detailed below:

	Three Months Ended	
	July 1, 2017	July 2, 2016
	(millions)	
Restructuring-related inventory charges:		
North America	\$ (0.7)	\$ (6.9)
Europe	—	(7.9)
Asia	—	(36.3)
Other non-reportable segments	—	(2.9)
Total restructuring-related inventory charges	<u>\$ (0.7)</u>	<u>\$ (54.0)</u>

RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Three Months Ended	
	July 1, 2017	July 2, 2016
	(millions)	
Asset impairment charges:		
North America	\$ (0.6)	\$ (0.8)
Europe	(1.2)	(1.4)
Asia	(0.1)	(16.5)
Other non-reportable segments	(0.1)	(0.1)
Unallocated corporate expenses	(7.7)	(0.6)
Total asset impairment charges	<u>\$ (9.7)</u>	<u>\$ (19.4)</u>

^(b) The three-month periods ended July 1, 2017 and July 2, 2016 included certain unallocated restructuring and other charges (see Note 8), which are detailed below:

	Three Months Ended	
	July 1, 2017	July 2, 2016
	(millions)	
Unallocated restructuring and other charges:		
North America-related	\$ (12.0)	\$ (18.0)
Europe-related	(0.1)	(10.5)
Asia-related	3.3	(1.5)
Other non-reportable segment-related	(4.8)	(2.1)
Corporate-related	(13.0)	(53.6)
Unallocated restructuring charges	(26.6)	(85.7)
Other charges (see Note 8)	(10.2)	—
Total unallocated restructuring and other charges	<u>\$ (36.8)</u>	<u>\$ (85.7)</u>

Depreciation and amortization expense for the Company's segments is as follows:

	Three Months Ended	
	July 1, 2017	July 2, 2016
	(millions)	
Depreciation and amortization:		
North America	\$ 21.0	\$ 29.5
Europe	8.0	7.8
Asia	11.5	13.3
Other non-reportable segments	2.8	3.5
Unallocated corporate expenses	26.1	24.3
Unallocated restructuring and other charges (see Note 8)	3.5	—
Total depreciation and amortization	<u>\$ 72.9</u>	<u>\$ 78.4</u>

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Net revenues by geographic location of the reporting subsidiary are as follows:

	Three Months Ended	
	July 1, 2017	July 2, 2016
	(millions)	
Net revenues^(a):		
The Americas ^(b)	\$ 811.5	\$ 960.6
Europe ^(c)	326.2	380.2
Asia ^(d)	209.4	211.4
Total net revenues	\$ 1,347.1	\$ 1,552.2

- (a) Net revenues for certain of the Company's licensed operations are included within the geographic location of the reporting subsidiary which holds the respective license.
- (b) Includes the U.S., Canada, and Latin America. Net revenues earned in the U.S. during the three-month periods ended July 1, 2017 and July 2, 2016 were \$764.6 million and \$910.5 million, respectively.
- (c) Includes the Middle East.
- (d) Includes Australia and New Zealand.

18. Additional Financial Information

Reconciliation of Cash, Cash Equivalents, and Restricted Cash

A reconciliation of cash, cash equivalents, and restricted cash as of July 1, 2017 and April 1, 2017 from the consolidated balance sheets to the consolidated statements of cash flows is as follows:

	July 1, 2017	April 1, 2017
	(millions)	
Cash and cash equivalents	\$ 830.4	\$ 668.3
Restricted cash included within prepaid expenses and other current assets	14.0	9.8
Restricted cash included within other non-current assets	32.0	33.7
Total cash, cash equivalents, and restricted cash	\$ 876.4	\$ 711.8

Amounts included in restricted cash relate to cash placed in escrow with certain banks as collateral, primarily to secure guarantees in connection with certain international tax matters.

Cash Interest and Taxes

Cash paid for interest and income taxes is as follows:

	Three Months Ended	
	July 1, 2017	July 2, 2016
	(millions)	
Cash paid for interest	\$ 2.6	\$ 3.6
Cash paid for income taxes	20.8	17.5

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Non-cash Transactions

Non-cash investing activities included capital expenditures incurred but not yet paid of \$30.6 million and \$54.9 million for the three-month periods ended July 1, 2017 and July 2, 2016, respectively. Additionally, the Company recorded capital lease assets and corresponding capital lease obligations of \$0.5 million and \$3.8 million within its consolidated balance sheet during the three-month periods ended July 1, 2017 and July 2, 2016, respectively.

There were no other significant non-cash investing or financing activities for any of the fiscal periods presented.

Special Note Regarding Forward-Looking Statements

Various statements in this Form 10-Q, or incorporated by reference into this Form 10-Q, in future filings by us with the Securities and Exchange Commission (the "SEC"), in our press releases, and in oral statements made from time to time by us or on our behalf constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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 actual results, performance, or achievements to be materially different from the future results, performance, or achievements expressed in or implied by such forward-looking statements. These risks, uncertainties, and other factors include, among others:

- the loss of key personnel, including Mr. Ralph Lauren, or other changes in our executive and senior management team or to our operating structure, and our ability to effectively transfer knowledge during periods of transition;
- the potential impact to our business and future strategic direction resulting from our transition to our new Chief Executive Officer;
- our ability to successfully implement our long-term growth strategy and achieve anticipated operating enhancements and cost reductions from our restructuring plans;
- the impact to our business resulting from investments and other costs incurred in connection with the execution of our long-term growth strategy, including restructuring-related charges, which may be dilutive to our earnings in the short term;
- our ability to effectively manage inventory levels and the increasing pressure on our margins in a highly promotional retail environment;
- the impact to our business resulting from potential costs and obligations related to the early closure of our stores or termination of our long-term, non-cancellable leases;
- our efforts to successfully enhance, upgrade, and/or transition our global information technology systems and e-commerce platform;
- our ability to secure our facilities and systems and those of our third-party service providers from, among other things, cybersecurity breaches, acts of vandalism, computer viruses, or similar Internet or email events;
- a variety of legal, regulatory, tax, political, and economic risks, including risks related to the importation and exportation of products, tariffs, and other trade barriers which our operations are currently subject to, or may become subject to as a result of potential changes in legislation, and other risks associated with our international operations, such as compliance with the Foreign Corrupt Practices Act or violations of other anti-bribery and corruption laws prohibiting improper payments, and the burdens of complying with a variety of foreign laws and regulations, including tax laws, trade and labor restrictions, and related laws that may reduce the flexibility of our business;
- changes in our tax obligations and effective tax rates due to a variety of factors, including potential changes in tax laws and regulations, accounting rules, or the mix and level of earnings by jurisdiction;
- our exposure to currency exchange rate fluctuations from both a transactional and translational perspective;
- the impact to our business resulting from increases in the costs of raw materials, transportation, and labor;
- the potential impact to our business resulting from the financial difficulties of certain of our large wholesale customers, which may result in consolidations, liquidations, restructurings, and other ownership changes in the retail industry, as well as other changes in the competitive marketplace, including the introduction of new products or pricing changes by our competitors;
- the impact to our business resulting from changes in consumers' ability or preferences to purchase premium lifestyle products that we offer for sale and our ability to forecast consumer demand, which could result in either a build-up or shortage of inventory;
- our ability to maintain our credit profile and ratings within the financial community;

- our ability to access sources of liquidity to provide for our cash needs, including our debt obligations, payment of dividends, capital expenditures, and potential repurchases of our Class A common stock, as well as the ability of our customers, suppliers, vendors, and lenders to access sources of liquidity to provide for their own cash needs;
- the potential impact to the trading prices of our securities if our Class A common stock share repurchase activity and/or cash dividend payments differ from investors' expectations;
- the impact of the volatile state of the global economy, stock markets, and other global economic conditions on us, our customers, suppliers, vendors, and lenders;
- the impact to our business of events of unrest and instability that are currently taking place in certain parts of the world, as well as from any terrorist action, retaliation, and the threat of further action or retaliation;
- our ability to open new retail stores, concession shops, and e-commerce sites in an effort to expand our direct-to-consumer presence;
- our ability to continue to expand or grow our business internationally and the impact of related changes in our customer, channel, and geographic sales mix as a result;
- our ability to continue to maintain our brand image and reputation and protect our trademarks;
- our intention to introduce new products or enter into or renew alliances and exclusive relationships;
- changes in the business of, and our relationships with, major department store customers and licensing partners;
- the potential impact on our operations and on our suppliers and customers resulting from natural or man-made disasters;
- the impact to our business resulting from the United Kingdom's decision to exit the European Union and the uncertainty surrounding the terms and conditions of such a withdrawal, as well as the related impact to global stock markets and currency exchange rates; and
- our ability to make certain strategic acquisitions and successfully integrate the acquired businesses into our existing operations.

These forward-looking statements are based largely on our expectations and judgments and are subject to a number of risks and uncertainties, many of which are unforeseeable and beyond our control. A detailed discussion of significant risk factors that have the potential to cause our actual results to differ materially from our expectations is included in our Annual Report on Form 10-K for the fiscal year ended April 1, 2017 (the "Fiscal 2017 10-K"). There are no material changes to such risk factors, nor are there any identifiable previously undisclosed risks as set forth in Part II, Item 1A — "*Risk Factors*" of this Form 10-Q. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

In this Form 10-Q, references to "Ralph Lauren," "ourselves," "we," "our," "us," and the "Company" refer to Ralph Lauren Corporation and its subsidiaries, unless the context indicates otherwise. We utilize a 52-53 week fiscal year ending on the Saturday closest to March 31. As such, fiscal year 2018 will end on March 31, 2018 and will be a 52-week period ("Fiscal 2018"). Fiscal year 2017 ended on April 1, 2017 and was also a 52-week period ("Fiscal 2017"). The first quarter of Fiscal 2018 ended on July 1, 2017 and was a 13-week period. The first quarter of Fiscal 2017 ended on July 2, 2016 and was also a 13-week period.

INTRODUCTION

Management's discussion and analysis of financial condition and results of operations ("MD&A") is provided as a supplement to the accompanying consolidated financial statements and notes thereto to help provide an understanding of our results of operations, financial condition, and liquidity. MD&A is organized as follows:

- *Overview.* This section provides a general description of our business, global economic conditions and industry trends, and a summary of our financial performance for the three months ended July 1, 2017. In addition, this section includes a discussion of recent developments and transactions affecting comparability that we believe are important in understanding our results of operations and financial condition, and in anticipating future trends.
- *Results of operations.* This section provides an analysis of our results of operations for the three months ended July 1, 2017 as compared to the three months ended July 2, 2016.
- *Financial condition and liquidity.* This section provides a discussion of our financial condition and liquidity as of July 1, 2017, which includes (i) an analysis of our financial condition as compared to the prior fiscal year-end; (ii) an analysis of changes in our cash flows for the three months ended July 1, 2017 as compared to the three months ended July 2, 2016; (iii) an analysis of our liquidity, including the availability under our commercial paper borrowing program and credit facilities, common stock repurchases, payments of dividends, and our outstanding debt and covenant compliance; and (iv) a description of any material changes in our contractual and other obligations since April 1, 2017.
- *Market risk management.* This section discusses any significant changes in our risk exposures related to foreign currency exchange rates, interest rates, and our investments since April 1, 2017.
- *Critical accounting policies.* This section discusses any significant changes in our critical accounting policies since April 1, 2017. Critical accounting policies typically require significant judgment and estimation on the part of management in their application. In addition, all of our significant accounting policies, including our critical accounting policies, are summarized in Note 3 of the Fiscal 2017 10-K.
- *Recently issued accounting standards.* This section discusses the potential impact on our reported results of operations and financial condition of certain accounting standards that have been recently issued or proposed.

OVERVIEW

Our Business

Our Company is a global leader in the design, marketing, and distribution of premium lifestyle products, including apparel, accessories, home furnishings, and other licensed product categories. Our long-standing reputation and distinctive image have been developed across an expanding number of products, brands, sales channels, and international markets. Our brand names include Ralph Lauren, Ralph Lauren Collection, Ralph Lauren Purple Label, Polo Ralph Lauren, Double RL, Lauren Ralph Lauren, Polo Ralph Lauren Children, Chaps, and Club Monaco, among others.

We diversify our business by geography (North America, Europe, and Asia, among other regions) and channels of distribution (wholesale, retail, and licensing). This allows us to maintain a dynamic balance as our operating results do not depend solely on the performance of any single geographic area or channel of distribution. Our wholesale sales are made principally to major department stores and specialty stores around the world. We also sell directly to consumers through our integrated retail channel, which includes our retail stores, concession-based shop-within-shops, and e-commerce operations around the world. In addition, we license to unrelated third parties for specified periods the right to operate retail stores and/or to use our various trademarks in connection with the manufacture and sale of designated products, such as certain apparel, eyewear, fragrances, and home furnishings.

We organize our business into the following three reportable segments:

- *North America* — Our North America segment, representing approximately 57% of our Fiscal 2017 net revenues, primarily consists of sales of our Ralph Lauren branded products made through our wholesale and retail businesses in the U.S. and Canada, excluding Club Monaco. In North America, our wholesale business is comprised primarily of sales to department stores, and to a lesser extent, specialty stores. Our retail business in North America is comprised of our Ralph Lauren stores, our factory stores, and our e-commerce site, www.RalphLauren.com.

- *Europe* — Our Europe segment, representing approximately 23% of our Fiscal 2017 net revenues, primarily consists of sales of our Ralph Lauren branded products made through our wholesale and retail businesses in Europe and the Middle East, excluding Club Monaco. In Europe, our wholesale business is comprised of a varying mix of sales to both department stores and specialty stores, depending on the country. Our retail business in Europe is comprised of our Ralph Lauren stores, our factory stores, our concession-based shop-within-shops, and our various e-commerce sites.
- *Asia* — Our Asia segment, representing approximately 13% of our Fiscal 2017 net revenues, primarily consists of sales of our Ralph Lauren branded products made through our wholesale and retail businesses in Asia, Australia, and New Zealand. Our retail business in Asia is comprised of our Ralph Lauren stores, our factory stores, and our concession-based shop-within-shops. In addition, we sell our products through various third-party digital partner e-commerce sites. In Asia, our wholesale business is comprised primarily of sales to department stores, with related products distributed through shop-within-shops.

In addition to these reportable segments, we also have other non-reportable segments, representing approximately 7% of our Fiscal 2017 net revenues, which primarily consist of (i) sales of our Club Monaco branded products made through our retail businesses in the U.S., Canada, and Europe, and our licensing alliances in Europe and Asia, (ii) sales of our Ralph Lauren branded products made through our wholesale business in Latin America, and (iii) royalty revenues earned through our global licensing alliances, excluding Club Monaco.

During the fourth quarter of Fiscal 2017, we realigned our segment reporting structure as a result of significant organizational changes implemented in connection with the Way Forward Plan, as defined within "*Recent Developments*" below. Refer to Note 20 of our Fiscal 2017 Form 10-K for further discussion. All prior period segment information has been recast to reflect the realignment of our segment reporting structure on a comparative basis.

Approximately 40% of our Fiscal 2017 net revenues were earned outside of the U.S. See Note 17 to the accompanying consolidated financial statements for a summary of net revenues and operating income by segment, as well as net revenues by geographic location.

Our business is typically affected by seasonal trends, with higher levels of wholesale sales in our second and fourth fiscal quarters and higher retail sales in our second and third fiscal quarters. These trends result primarily from the timing of seasonal wholesale shipments and key vacation travel, back-to-school, and holiday shopping periods impacting our retail business. In addition, fluctuations in net sales, operating income, and cash flows in any fiscal quarter may be affected by other events impacting retail sales, such as changes in weather patterns. Accordingly, our operating results and cash flows for the three-month period ended July 1, 2017 are not necessarily indicative of the operating results and cash flows that may be expected for the full Fiscal 2018.

Global Economic Conditions and Industry Trends

The global economy and our industry are impacted by many different influences. Certain worldwide events, including political unrest, acts of terrorism, monetary policy changes, and currency and commodity price changes, increase volatility in the global economy. In addition, the current domestic and international political environment, including potential changes to U.S. policies related to global trade, taxation, immigration, and healthcare have also resulted in uncertainty surrounding the future state of the global economy. As our international business continues to grow and since the majority of our products are produced outside of the U.S., major changes in tax policies or trade relations could have a material adverse effect on our business or operating results. Our results also have been, and are expected to continue to be, impacted by foreign exchange rate fluctuations.

In addition, the retail landscape in which we operate is evolving, with consumers continuing to diversify the channels in which they transact and shifting their shopping preference from physical stores to online. This along with other factors has resulted in many retailers, including certain of our large wholesale customers, becoming highly promotional and aggressively marking down their merchandise in an attempt to offset declines in physical store traffic. The retail industry, particularly in the U.S., has also experienced numerous bankruptcies, restructurings, and ownership changes in recent years. Certain of our operations, including our North America wholesale business, have been negatively impacted by these dynamics. Changes in economic conditions and continuation of these industry trends could further impact consumer spending and consumption behavior in our industry, which could have a material adverse effect on our business or operating results.

We have implemented various operating strategies globally to help address many of these current challenges, and continue to build a foundation for long-term profitable growth centered around strengthening our consumer-facing areas of product, stores, and marketing across channels and driving a more efficient operating model. In connection with these strategies, we are taking

deliberate actions to ensure promotional consistency across channels and enhance the overall brand and shopping experience, including reducing shipments to better align with underlying demand and lower inventory levels. Additionally, we are optimizing our wholesale distribution channel by closing 20% to 25% of our underperforming U.S. department store points of distribution by the end of Fiscal 2018. We also plan to move to a more cost-effective and flexible e-commerce platform for our directly operated digital businesses, with the expectation to deliver a more brand enhancing and consistent customer experience across our global digital ecosystem. See our restructuring activities as described within "*Recent Developments*" below for further discussion. Although the dilutive effects of the investments that we are making in our business and our quality of sales initiatives may create operating profit pressure in the near-term, we expect that these initiatives will create longer-term shareholder value.

We will continue to monitor these conditions and trends and evaluate and adjust our operating strategies and foreign currency and cost management opportunities to help mitigate the related impact on our results of operations, while remaining focused on the long-term growth of our business and protecting the value of our brand.

For a detailed discussion of significant risk factors that have the potential to cause our actual results to differ materially from our expectations, see Part I, Item 1A - "*Risk Factors*" in our Fiscal 2017 10-K.

Summary of Financial Performance

Operating Results

During the three months ended July 1, 2017, we reported net revenues of \$1.347 billion, net income of \$59.5 million, and net income per diluted share of \$0.72, as compared to net revenues of \$1.552 billion, a net loss of \$22.3 million, and net loss per diluted share of \$0.27 during the three months ended July 2, 2016. The comparability of our operating results has been affected by restructuring-related charges, impairment of assets, and certain other charges, as discussed further below.

Our operating performance for the three months ended July 1, 2017 reflected a decline in net revenues of 13.2% on a reported basis and 11.9% on a constant currency basis, as defined within "*Transactions and Trends Affecting Comparability of Results of Operations and Financial Condition*" below. The decline in reported net revenues for the three months ended July 1, 2017 was primarily due to lower sales from our North America and Europe segments driven by the impact of certain brand discontinuances and our quality of sales initiatives, including lower levels of promotional activity and a strategic reduction in shipments, as well as lower consumer demand.

Our gross profit as a percentage of net revenues increased by 560 basis points to 63.2% during the three months ended July 1, 2017, primarily driven by lower non-cash inventory-related charges recorded in connection with the Way Forward Plan, lower levels of promotional activity in connection with our long-term growth strategy, favorable geographic and channel mix, and lower sourcing costs, partially offset by net unfavorable foreign currency effects.

Selling, general, and administrative ("SG&A") expenses as a percentage of net revenues increased slightly by 10 basis points to 52.6% during the three months ended July 1, 2017, primarily due to operating leverage on lower net revenues and the unfavorable impact attributable to geographic and channel mix, as a greater portion of our revenue was generated by our international retail businesses. These increases were largely offset by our operational discipline and cost savings associated with our restructuring activities.

Net income increased by \$81.8 million during the three months ended July 1, 2017 as compared to the three months ended July 2, 2016, primarily due to a \$121.5 million increase in operating income, partially offset by a \$38.2 million increase in our income tax provision. Net income per diluted share increased by \$0.99 to \$0.72 per share during the three months ended July 1, 2017, as compared to the three months ended July 2, 2016, due to the higher level of net income and lower weighted-average diluted shares outstanding.

Our operating results during the three-month periods ended July 1, 2017 and July 2, 2016 were negatively impacted by restructuring-related charges, impairment of assets, and certain other charges totaling \$47.2 million and \$159.1 million, respectively, which had an after-tax effect of reducing net income by \$31.6 million, or \$0.39 per diluted share, and \$111.8 million, or \$1.33 per diluted share, respectively.

Financial Condition and Liquidity

We ended the first quarter of Fiscal 2018 in a net cash and investments position (cash and cash equivalents plus short-term and non-current investments, less total debt) of \$1.061 billion, as compared to \$786.2 million as of the end of Fiscal 2017. The

increase in our net cash and investments position at July 1, 2017 as compared to April 1, 2017 was primarily due to our operating cash flows of \$334.2 million, partially offset by our use of cash to invest in our business through \$41.9 million in capital expenditures and to make dividend payments of \$40.5 million.

We generated \$334.2 million of cash from operations during the three months ended July 1, 2017, compared to \$242.9 million during the three months ended July 2, 2016. The increase in our operating cash flows was due to a net favorable change related to our operating assets and liabilities, including our working capital, as compared to the prior fiscal year period, partially offset by a decline in net income before non-cash charges.

Our equity increased to \$3.360 billion as of July 1, 2017 compared to \$3.300 billion as of April 1, 2017, primarily attributable to our comprehensive income and the net impact of stock-based compensation arrangements, partially offset by our dividends declared during the three months ended July 1, 2017.

Recent Developments

Change in Chief Executive Officer

Consistent with our announcement on February 2, 2017, Mr. Stefan Larsson departed as the Company's President and Chief Executive Officer and as a member of our Board of Directors, effective as of May 1, 2017. In connection with Mr. Larsson's departure, we recorded cumulative other charges of \$17.0 million, of which \$5.6 million was recorded during the three months ended July 1, 2017. We do not expect to incur additional charges related to Mr. Larsson's departure. See Note 8 to our accompanying consolidated financial statements for further discussion of the charges recorded in connection with Mr. Larsson's departure.

Subsequent to Mr. Larsson's departure, Mr. Patrice Louvet was appointed as the Company's new President and Chief Executive Officer and as a member of our Board of Directors, effective in July 2017.

Way Forward Plan

On June 2, 2016, our Board of Directors approved a restructuring plan with the objective of delivering sustainable, profitable sales growth and long-term value creation for shareholders (the "Way Forward Plan"). We are refocusing on our core brands and evolving our product, marketing, and shopping experience to increase desirability and relevance. We are also evolving our operating model to enable sustainable, profitable sales growth by significantly improving quality of sales, reducing supply chain lead times, improving our sourcing, and executing a disciplined multi-channel distribution and expansion strategy. As part of the Way Forward Plan, we are rightsizing our cost structure and implementing a return on investment-driven financial model to free up resources to invest in the brand and drive high-quality sales. The Way Forward Plan includes strengthening our leadership team and creating a more nimble organization by moving from an average of nine to six layers of management. The Way Forward Plan also includes the discontinuance of our Denim & Supply brand and the integration of our denim product offerings into our Polo Ralph Lauren brand. Collectively, these actions, which were substantially completed during Fiscal 2017, resulted in a reduction in workforce and the closure of certain stores and shop-within-shops, and are expected to result in gross annualized expense savings of approximately \$180 million to \$220 million.

On March 30, 2017, our Board of Directors approved the following additional restructuring-related activities associated with the Way Forward Plan: (i) the restructuring of our in-house global e-commerce platform which was in development and shifting to a more cost-effective, flexible e-commerce platform through a new agreement with Salesforce's Commerce Cloud, formerly known as Demandware; (ii) the closure of our Polo store at 711 Fifth Avenue in New York City; and (iii) the further streamlining of the organization and the execution of other key corporate actions in line with the Way Forward Plan. These actions, which are expected to be completed by the end of Fiscal 2018, are an important part of our efforts to achieve our stated objective to return to sustainable, profitable growth and invest in the future. These additional restructuring-related activities will result in a further reduction in workforce and the closure of certain corporate office and store locations, and are expected to result in additional gross annualized expense savings of approximately \$140 million.

In connection with the Way Forward Plan, we currently expect to incur total estimated charges of approximately \$770 million, comprised of cash-related restructuring charges of approximately \$450 million and non-cash charges of approximately \$320 million. Cumulative charges incurred since inception were \$603.4 million, of which \$37.0 million was recorded during the three months ended July 1, 2017. In addition to these charges, we also incurred an additional non-cash charge of \$155.2 million during Fiscal 2017 associated with the destruction of inventory out of current liquidation channels in line with our Way Forward Plan. See Notes 7 and 8 to our accompanying consolidated financial statements for detailed discussions of the charges recorded in connection with the Way Forward Plan.

Transactions and Trends Affecting Comparability of Results of Operations and Financial Condition

The comparability of our operating results for the three-month periods ended July 1, 2017 and July 2, 2016 has been affected by certain events, including charges incurred in connection with our restructuring plans, as well as certain other charges, as summarized below (references to "Notes" are to the notes to the accompanying consolidated financial statements):

	Three Months Ended	
	July 1, 2017	July 2, 2016
	(millions)	
Impairment of assets (see Note 7)	\$ (9.7)	\$ (19.4)
Restructuring and other charges (see Note 8)	(36.8)	(85.7)
Restructuring-related inventory charges (see Note 8) ^(a)	(0.7)	(54.0)
Total charges	<u>\$ (47.2)</u>	<u>\$ (159.1)</u>

^(a) Non-cash restructuring-related inventory charges are recorded within cost of goods sold in the consolidated statements of operations.

Since we are a global company, the comparability of our operating results reported in U.S. Dollars is also affected by foreign currency exchange rate fluctuations because the underlying currencies in which we transact change in value over time compared to the U.S. Dollar. These rate fluctuations can have a significant effect on our reported results. As such, in addition to financial measures prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP"), our discussions often contain references to constant currency measures, which are calculated by translating the current-year and prior-year reported amounts into comparable amounts using a single foreign exchange rate for each currency. We present constant currency financial information, which is a non-U.S. GAAP financial measure, as a supplement to our reported operating results. We use constant currency information to provide a framework to assess how our businesses performed excluding the effects of foreign currency exchange rate fluctuations. We believe this information is useful to investors to facilitate comparisons of operating results and better identify trends in our businesses. The constant currency performance measures should be viewed in addition to, and not in lieu of or superior to, our operating performance measures calculated in accordance with U.S. GAAP. Reconciliations between this non-U.S. GAAP financial measure and the most directly comparable U.S. GAAP measure are included in the "Results of Operations" section where applicable.

Our discussion also includes reference to comparable store sales. Comparable store sales refer to the growth of sales in stores that are open for at least one full fiscal year. Sales for stores that are closed during a fiscal year are excluded from the calculation of comparable store sales. Sales for stores that are either relocated, enlarged (as defined by gross square footage expansion of 25% or greater), or generally closed for 30 or more consecutive days for renovation are also excluded from the calculation of comparable store sales until such stores have been in their new location or in their newly renovated state for at least one full fiscal year. Sales from our e-commerce sites are included within comparable store sales for those geographies that have been serviced by the related site for at least one full fiscal year. Sales for e-commerce sites that are shut down during a fiscal year are excluded from the calculation of comparable store sales. We use an integrated omni-channel strategy to operate our retail business, in which our e-commerce operations are interdependent with our physical stores.

Our "Results of Operations" discussion that follows includes the significant changes in operating results arising from these items affecting comparability. However, unusual items or transactions may occur in any period. Accordingly, investors and other financial statement users should consider the types of events and transactions that have affected operating trends.

RESULTS OF OPERATIONS

Three Months Ended July 1, 2017 Compared to Three Months Ended July 2, 2016

The following table summarizes our results of operations and expresses the percentage relationship to net revenues of certain financial statement captions. All percentages shown in the below table and the discussion that follows have been calculated using unrounded numbers.

	Three Months Ended			
	July 1, 2017	July 2, 2016	\$ Change	% / bps Change
	(millions, except per share data)			
Net revenues	\$ 1,347.1	\$ 1,552.2	\$ (205.1)	(13.2%)
Cost of goods sold ^(a)	(495.9)	(657.6)	161.7	(24.6%)
Gross profit	851.2	894.6	(43.4)	(4.8%)
Gross profit as % of net revenues	63.2%	57.6%		560 bps
Selling, general, and administrative expenses ^(a)	(708.4)	(814.7)	106.3	(13.0%)
SG&A expenses as % of net revenues	52.6%	52.5%		10 bps
Amortization of intangible assets	(6.0)	(6.0)	—	(0.5%)
Impairment of assets	(9.7)	(19.4)	9.7	(50.0%)
Restructuring and other charges ^(a)	(36.8)	(85.7)	48.9	(57.1%)
Operating income (loss)	90.3	(31.2)	121.5	(389.4%)
Operating income (loss) as % of net revenues	6.7%	(2.0%)		870 bps
Foreign currency gains	0.1	2.4	(2.3)	(97.8%)
Interest expense	(5.0)	(3.4)	(1.6)	48.2%
Interest and other income, net	2.3	0.9	1.4	144.4%
Equity in losses of equity-method investees	(0.9)	(1.9)	1.0	(54.0%)
Income (loss) before income taxes	86.8	(33.2)	120.0	(361.5%)
Income tax benefit (provision)	(27.3)	10.9	(38.2)	(350.4%)
Effective tax rate ^(b)	31.4%	32.8%		(140 bps)
Net income (loss)	\$ 59.5	\$ (22.3)	\$ 81.8	(367.0%)
Net income (loss) per common share:				
Basic	\$ 0.73	\$ (0.27)	\$ 1.00	(370.4%)
Diluted	\$ 0.72	\$ (0.27)	\$ 0.99	(366.7%)

^(a) Includes total depreciation expense of \$66.9 million and \$72.4 million for the three-month periods ended July 1, 2017 and July 2, 2016, respectively.

^(b) Effective tax rate is calculated by dividing the income tax benefit (provision) by income (loss) before income taxes.

NM Not meaningful.

Net Revenues. Net revenues decreased by \$205.1 million, or 13.2%, to \$1.347 billion during the three months ended July 1, 2017 as compared to the three months ended July 2, 2016, including net unfavorable foreign currency effects of \$20.5 million. On a constant currency basis, net revenues decreased by \$184.6 million, or 11.9%.

The following table summarizes the percentage change in our consolidated comparable store sales for the three months ended July 1, 2017 as compared to the prior fiscal year period on both a reported and constant currency basis:

	As Reported	Constant Currency
E-commerce comparable store sales	(16%)	(16%)
Comparable store sales excluding e-commerce	(5%)	(4%)
Total comparable store sales	(7%)	(6%)

Our global average store count increased by 9 stores and concession shops during the three months ended July 1, 2017 compared with the three months ended July 2, 2016, primarily due to new concession shop openings in Asia, partially offset by global store closures primarily associated with the Way Forward Plan. The following table details our retail store presence by segment as of the periods presented:

	July 1, 2017	July 2, 2016
Freestanding Stores:		
North America	216	220
Europe	82	83
Asia	90	101
Other non-reportable segments	79	81
Total freestanding stores	467	485
Concession Shops:		
Europe	31	36
Asia	591	560
Other non-reportable segments	2	2
Total concession shops	624	598
Total stores	1,091	1,083

In addition to our stores, we sell products online in North America and Europe through our various e-commerce sites, which include www.RalphLauren.com and www.ClubMonaco.com, among others. In Asia, we sell products online through e-commerce sites of various third-party digital partners.

Net revenues for our segments, as well as a discussion of the changes in each reportable segment's net revenues from the comparable prior year period, are provided below:

	Three Months Ended		\$ Change	Foreign Exchange Impact	\$ Change	% Change		
	July 1, 2017	July 2, 2016	As Reported		Constant Currency	As Reported	Constant Currency	
	(millions)							
Net Revenues:								
North America	\$ 709.7	\$ 855.6	\$ (145.9)	\$ (1.1)	\$ (144.8)	(17.1%)	(16.9%)	
Europe	323.5	377.6	(54.1)	(15.4)	(38.7)	(14.3%)	(10.2%)	
Asia	209.1	211.1	(2.0)	(3.1)	1.1	(1.0%)	0.5%	
Other non-reportable segments	104.8	107.9	(3.1)	(0.9)	(2.2)	(2.7%)	(1.9%)	
Total net revenues	\$ 1,347.1	\$ 1,552.2	\$ (205.1)	\$ (20.5)	\$ (184.6)	(13.2%)	(11.9%)	

North America net revenues — Net revenues decreased by \$145.9 million, or 17.1%, during the three months ended July 1, 2017 as compared to the three months ended July 2, 2016, including net unfavorable foreign currency effects of \$1.1 million. On a constant currency basis, net revenues decreased by \$144.8 million, or 16.9%.

The \$145.9 million net decline in North America net revenues was driven by:

- a \$114.2 million net decrease related to our North America wholesale business, largely driven by a strategic reduction of shipments (including within the off-price channel) in connection with our long-term growth strategy, the impact of certain brand discontinuances, and the continued challenging department store traffic trends, which contributed to a more competitive retail environment; and

- a \$32.1 million net decrease in comparable store sales, primarily driven by lower sales from our Ralph Lauren e-commerce operations and certain of our retail stores due in part to a decline in traffic, as well as lower levels of promotional activity and a planned reduction in inventory in connection with our long-term growth strategy. The following table summarizes our comparable store sales percentages on both a reported and constant currency basis related to our North America retail business:

	As Reported	Constant Currency
E-commerce comparable store sales	(22%)	(22%)
Comparable store sales excluding e-commerce	(5%)	(4%)
Total comparable store sales	(8%)	(8%)

These declines were partially offset by a \$0.4 million net increase in non-comparable store sales.

Europe net revenues — Net revenues decreased by \$54.1 million, or 14.3%, during the three months ended July 1, 2017 as compared to the three months ended July 2, 2016, including net unfavorable foreign currency effects of \$15.4 million. On a constant currency basis, net revenues decreased by \$38.7 million, or 10.2%.

The \$54.1 million net decline in Europe net revenues was driven by:

- a \$44.9 million net decrease related to our Europe wholesale business, approximately half of which was due to a shift in the timing of certain shipments. The remaining decline was driven by the impact of certain brand discontinuances and a strategic reduction of shipments within the off-price channel in connection with our long-term growth strategy, as well as unfavorable foreign currency effects of \$5.4 million; and
- a \$19.7 million net decrease in comparable store sales, including net unfavorable foreign currency effects of \$7.8 million. Our comparable store sales decreased by \$11.9 million on a constant currency basis, primarily driven by lower sales from certain of our retail stores due in part to lower levels of promotional activity in connection with our long-term growth strategy. The following table summarizes our comparable store sales percentages on both a reported and constant currency basis related to our Europe retail business:

	As Reported	Constant Currency
E-commerce comparable store sales	(7%)	(5%)
Comparable store sales excluding e-commerce	(12%)	(8%)
Total comparable store sales	(11%)	(8%)

These declines were partially offset by a \$10.5 million net increase in non-comparable store sales, primarily driven by new store openings during the past twelve months, partially offset by net unfavorable foreign currency effects of \$2.2 million.

Asia net revenues — Net revenues decreased by \$2.0 million, or 1.0%, during the three months ended July 1, 2017 as compared to the three months ended July 2, 2016, including net unfavorable foreign currency effects of \$3.1 million. On a constant currency basis, net revenues increased by \$1.1 million, or 0.5%.

The \$2.0 million net decline in Asia net revenues was driven by:

- a \$3.0 million net decrease related to our Asia wholesale business, primarily driven by lower sales in Japan and South Korea and net unfavorable foreign currency effects of \$0.3 million; and
- a \$0.3 million net decrease in non-comparable store sales, primarily driven by the strategic closure of certain of our retail stores and net unfavorable foreign currency effects of \$1.4 million, largely offset by new concession shop openings during the past twelve months.

These declines were partially offset by:

- a \$1.3 million net increase in comparable store sales, including net unfavorable foreign currency effects of \$1.4 million. Our comparable store sales increased by \$2.7 million on a constant currency basis, primarily driven by higher sales from certain of our retail locations due in part to increased traffic, partially offset by the impact of lower levels of promotional activity in connection with our long-term growth strategy. The following table summarizes our comparable store sales percentage on both a reported and constant currency basis related to our Asia retail business:

	As Reported	Constant Currency
Total comparable store sales ^(a)	1%	2%

^(a) Comparable store sales for our Asia segment were comprised primarily of sales made through our stores and concession shops.

Gross Profit. Gross profit decreased by \$43.4 million, or 4.8%, to \$851.2 million for the three months ended July 1, 2017. Gross profit during the three-month periods ended July 1, 2017 and July 2, 2016 reflected non-cash inventory-related charges of \$0.7 million and \$54.0 million, respectively, recorded in connection with the Way Forward Plan. Gross profit as a percentage of net revenues increased by 560 basis points to 63.2% for the three months ended July 1, 2017 from 57.6% for the three months ended July 2, 2016. This increase was primarily driven by the lower non-cash inventory-related charges recorded in connection with the Way Forward Plan during the three months ended July 1, 2017 as compared to the comparable prior year period, lower levels of promotional activity in connection with our long-term growth strategy, favorable geographic and channel mix, and lower sourcing costs, partially offset by net unfavorable foreign currency effects.

Gross profit as a percentage of net revenues is dependent upon a variety of factors, including changes in the relative sales mix among distribution channels, changes in the mix of products sold, the timing and level of promotional activities, foreign currency exchange rates, and fluctuations in material costs. These factors, among others, may cause gross profit as a percentage of net revenues to fluctuate from period to period.

Selling, General, and Administrative Expenses. SG&A expenses primarily include compensation and benefits, advertising and marketing, distribution, bad debt, information technology, facilities, legal, and other costs associated with finance and administration. SG&A expenses decreased by \$106.3 million, or 13.0%, to \$708.4 million for the three months ended July 1, 2017. This decrease included a net favorable foreign currency effect of \$10.6 million. SG&A expenses as a percentage of net revenues increased slightly to 52.6% for the three months ended July 1, 2017 from 52.5% for the three months ended July 2, 2016. The 10 basis point increase was primarily due to operating deleverage on lower net revenues, as previously discussed, and the unfavorable impact attributable to geographic and channel mix, as a greater portion of our revenue was generated by our international retail businesses (which typically carry higher operating expense margins). These increases were largely offset by our operational discipline and cost savings associated with our restructuring activities, as well as the favorable impact related to Mr. Ralph Lauren electing to forgo his Fiscal 2017 executive incentive bonus.

The \$106.3 million net decline in SG&A expenses was driven by:

	Three Months Ended July 1, 2017 Compared to Three Months Ended July 2, 2016
	(millions)
SG&A expense category:	
Compensation-related expenses ^(a)	\$ (50.2)
Marketing and advertising expenses	(14.9)
Rent and occupancy expenses	(9.9)
Depreciation expense	(8.9)
Consulting fees	(7.5)
Shipping and handling costs	(5.8)
Other	(9.1)
Total change in SG&A expenses	\$ (106.3)

^(a) Includes the favorable impact of \$7.6 million related to Mr. Ralph Lauren electing to forgo his Fiscal 2017 executive incentive bonus.

During the remainder of Fiscal 2018, we continue to expect a certain amount of operating expense deleverage driven by the anticipated decline in sales associated with our quality of sale initiatives outpacing the decline in our operating expenses, as we begin to anniversary certain cost savings initiatives executed during Fiscal 2017 in connection with the Way Forward Plan. In

addition, we will continue to invest in our long-term strategic initiatives, including expansion and renovations of our retail stores and concession shops.

Amortization of Intangible Assets. Amortization of intangible assets remained flat at \$6.0 million during the three-month periods ended July 1, 2017 and July 2, 2016.

Impairment of Assets. During the three-month periods ended July 1, 2017 and July 2, 2016, we recorded non-cash impairment charges of \$9.7 million and \$19.4 million, respectively, primarily to write off certain fixed assets related to our domestic and international stores, shop-within-shops, and corporate offices in connection with the Way Forward Plan. See Note 7 to the accompanying consolidated financial statements.

Restructuring and Other Charges. During the three-month periods ended July 1, 2017 and July 2, 2016, we recorded restructuring charges of \$26.6 million and \$85.7 million, respectively, in connection with our restructuring plans, consisting of severance and benefit costs, lease termination and store closure costs, and other cash charges. In addition, during the three months ended July 1, 2017, we recorded other charges of \$10.2 million primarily related to the departure of Mr. Stefan Larsson and depreciation expense associated with our former Polo store at 711 Fifth Avenue in New York City recorded after the store closed during the first quarter of Fiscal 2018 in connection with the Way Forward Plan. See Note 8 to the accompanying consolidated financial statements.

Operating Income (Loss). During the three months ended July 1, 2017, we reported operating income of \$90.3 million, as compared to an operating loss of \$31.2 million for the three months ended July 2, 2016. Our operating results during the three-month periods ended July 1, 2017 and July 2, 2016 were negatively impacted by restructuring-related charges, impairment of assets, and certain other charges totaling \$47.2 million and \$159.1 million, respectively, as previously discussed. The \$121.5 million increase in operating income also included a net unfavorable foreign currency effect of \$8.9 million. Operating income as a percentage of net revenues was 6.7% for the three months ended July 1, 2017, reflecting an 870 basis point increase from the comparative prior year period. This increase was primarily driven by the net decline in restructuring-related charges, impairment of assets, and certain other charges and the increase in our gross profit margin (inclusive of unfavorable foreign currency effects), all as previously discussed.

Operating income (loss) and margin for our segments, as well as a discussion of the changes in each reportable segment's operating margin from the comparable prior year period, are provided below:

	Three Months Ended					
	July 1, 2017		July 2, 2016		\$ Change	Margin Change
	Operating Income (Loss)	Operating Margin	Operating Income (Loss)	Operating Margin		
	(millions)		(millions)		(millions)	
Segment:						
North America	\$ 150.5	21.2%	\$ 165.8	19.4%	\$ (15.3)	180 bps
Europe	67.1	20.7%	75.0	19.9%	(7.9)	80 bps
Asia	30.2	14.4%	(37.8)	(17.9%)	68.0	3,230 bps
Other non-reportable segments	33.0	31.5%	27.8	25.7%	5.2	580 bps
	280.8		230.8		50.0	
Unallocated corporate expenses	(153.7)		(176.3)		22.6	
Unallocated restructuring and other charges	(36.8)		(85.7)		48.9	
Total operating income (loss)	\$ 90.3	6.7%	\$ (31.2)	(2.0%)	\$ 121.5	870 bps

North America operating margin improved by 180 basis points, primarily due to the favorable impact of 180 basis points related to our retail business, largely driven by a decline in SG&A expenses as a percentage of net revenues and the increase in our gross profit margin. The increase also reflected the favorable impact of 70 basis points related to lower non-cash charges recorded in connection with the Way Forward Plan during the three months ended July 1, 2017 as compared to the prior fiscal year. These increases in operating margin were partially offset by a 70 basis point decline related to our wholesale business, driven by the largely planned decline in sales related to our quality of sales initiatives outpacing the decline in operating expenses.

Europe operating margin improved by 80 basis points, primarily due to the favorable impact of 310 basis points related to our retail business, largely driven by the increase in our gross profit margin, partially offset by an increase in SG&A expenses as a percentage of net revenues. The increase also reflected the favorable impact of 200 basis points related to lower non-cash charges recorded in connection with the Way Forward Plan during the three months ended July 1, 2017 as compared to the prior fiscal year and 20 basis points attributable to other factors, including favorable channel mix. These increases in operating margin were partially offset by both a 240 basis point decline related to our wholesale business, largely driven by an increase in SG&A expenses as a percentage of net revenues, and unfavorable foreign currency effects of 210 basis points.

Asia operating margin improved by 3,230 basis points, primarily due to the favorable impact of 2,490 basis points related to lower non-cash charges recorded in connection with the Way Forward Plan during the three months ended July 1, 2017 as compared to the prior fiscal year. The increase also reflected the favorable impact of 710 basis points related to our retail business, largely driven by a decline in SG&A expenses as a percentage of net revenues and the increase in our gross profit margin. The improvement also reflected favorable foreign currency effects of 120 basis points. These increases in operating margin were partially offset by a 90 basis point decline related to our wholesale business.

Unallocated corporate expenses decreased by \$22.6 million to \$153.7 million during the three months ended July 1, 2017. The decline in unallocated corporate expenses was primarily due to lower compensation-related expenses of \$28.4 million (inclusive of the favorable impact of \$7.6 million related to Mr. Ralph Lauren electing to forgo his Fiscal 2017 executive incentive bonus) and lower marketing and advertising expenses of \$8.3 million. These declines were partially offset by higher impairment of asset charges of \$7.1 million and higher other operating expenses of \$7.0 million.

Unallocated restructuring and other charges decreased by \$48.9 million to \$36.8 million during the three months ended July 1, 2017, as previously discussed above and in Note 8 to the accompanying consolidated financial statements.

Non-operating Expense, net. Non-operating expense, net is comprised of net foreign currency gains (losses), interest expense, interest and other income, net, and equity in losses from our equity-method investees. Non-operating expense, net increased by \$1.5 million during the three months ended July 1, 2017 as compared to the three months ended July 2, 2016, as the decline in foreign currency gains and the increase in interest expense were mostly offset by the increase in interest and other income, net and the decline in equity in losses of equity-method investees. Non-operating expense, net was not material during any of the fiscal periods presented.

Income Tax Benefit (Provision). The income tax benefit (provision) represents federal, foreign, state and local income taxes. We reported an income tax provision of \$27.3 million for the three months ended July 1, 2017, as compared to an income tax benefit of \$10.9 million for the three months ended July 2, 2016. The 31.4% effective tax rate for the three months ended July 1, 2017 was lower than the statutory tax rate primarily due to the tax impact of earnings in lower taxed foreign jurisdictions versus the U.S., partially offset by the tax impact of the adoption of Accounting Standards Update No. 2016-09, "Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). See Note 4 to the accompanying consolidated financial statements for additional information relating to our adoption of ASU 2016-09. The 32.8% effective tax rate for the three months ended July 2, 2016 was lower than the statutory tax rate primarily due to the tax impact of earnings in lower taxed foreign jurisdictions versus the U.S. and additional income tax reserves largely associated with an anticipated tax settlement, partially offset by state income tax reserve releases. Our effective tax rate will change from period to period based on various factors including, but not limited to, the geographic mix of earnings, the timing and amount of foreign dividends, enacted tax legislation, state and local taxes, tax audit findings and settlements, and the interaction of various global tax strategies.

Net Income (Loss). We reported net income of \$59.5 million for the three months ended July 1, 2017, as compared to a net loss of \$22.3 million for the three months ended July 2, 2016. The increase in net income was primarily due to the increase in operating income, partially offset by the increase in our income tax provision, as previously discussed. Our operating results during the three-month periods ended July 1, 2017 and July 2, 2016 were negatively impacted by restructuring-related charges, impairment of assets, and certain other charges totaling \$47.2 million and \$159.1 million, respectively, which had an after-tax effect of reducing net income by \$31.6 million and \$111.8 million, respectively.

Net Income (Loss) per Diluted Share. We reported net income per diluted share of \$0.72 for the three months ended July 1, 2017, as compared to a net loss per diluted share of \$0.27 for the three months ended July 2, 2016. The \$0.99 per share increase was due to the higher level of net income, as previously discussed, and lower weighted-average diluted shares outstanding during the three months ended July 1, 2017 driven by our share repurchases during the last twelve months. Net income (loss) per diluted share for the three-month periods ended July 1, 2017 and July 2, 2016 were negatively impacted by \$0.39 per share and \$1.33 per share, respectively, as a result of restructuring-related charges, impairment of assets, and certain other charges, as previously discussed.

FINANCIAL CONDITION AND LIQUIDITY

Financial Condition

The following table presents our financial condition as of July 1, 2017 and April 1, 2017:

	July 1, 2017	April 1, 2017	\$ Change
	(millions)		
Cash and cash equivalents	\$ 830.4	\$ 668.3	\$ 162.1
Short-term investments	740.5	684.7	55.8
Non-current investments ^(a)	80.1	21.4	58.7
Long-term debt ^(b)	(590.4)	(588.2)	(2.2)
Net cash and investments ^(c)	\$ 1,060.6	\$ 786.2	\$ 274.4
Equity	\$ 3,360.1	\$ 3,299.6	\$ 60.5

^(a) Recorded within other non-current assets in our consolidated balance sheets.

^(b) See Note 10 to the accompanying consolidated financial statements for discussion of the carrying value of our long-term debt.

^(c) "Net cash and investments" is defined as cash and cash equivalents, plus short-term and non-current investments, less total debt.

The increase in our net cash and investments position at July 1, 2017 as compared to April 1, 2017 was primarily due to our operating cash flows of \$334.2 million, partially offset by our use of cash to invest in our business through \$41.9 million in capital expenditures and to make dividend payments of \$40.5 million.

The increase in equity was primarily attributable to our comprehensive income and the net impact of stock-based compensation arrangements, partially offset by our dividends declared during the three months ended July 1, 2017.

Cash Flows

The following table details our cash flows for the three-month periods ended July 1, 2017 and July 2, 2016:

	Three Months Ended		\$ Change
	July 1, 2017	July 2, 2016	
	(millions)		
Net cash provided by operating activities	\$ 334.2	\$ 242.9	\$ 91.3
Net cash used in investing activities	(128.5)	(41.2)	(87.3)
Net cash used in financing activities	(61.0)	(186.4)	125.4
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	19.9	(14.6)	34.5
Net increase in cash, cash equivalents, and restricted cash	\$ 164.6	\$ 0.7	\$ 163.9

Net Cash Provided by Operating Activities. Net cash provided by operating activities increased to \$334.2 million during the three months ended July 1, 2017, as compared to \$242.9 million during the three months ended July 2, 2016. The \$91.3 million net increase in cash provided by operating activities was due to a net favorable change related to our operating assets and liabilities, including our working capital, partially offset by a decline in net income before non-cash charges. The net increase related to our working capital was primarily driven by:

- a decline in our inventory levels, largely driven by our inventory management initiatives, lower sourcing costs, and the timing of inventory receipts; and
- favorable changes in our (i) income tax receivables and payables and (ii) prepaid expenses and other current assets, both largely driven by the timing of cash collections and payments.

These increases related to our working capital were partially offset by an unfavorable change in our accounts payable and accrued liabilities, largely driven by the timing of payments.

Net Cash Used in Investing Activities. Net cash used in investing activities was \$128.5 million during the three months ended July 1, 2017, as compared to \$41.2 million during the three months ended July 2, 2016. The \$87.3 million net increase in cash used in investing activities was primarily driven by:

- a \$120.7 million increase in purchases of investments, less proceeds from sales and maturities of investments. During the three months ended July 1, 2017, we made net investment purchases of \$83.0 million, as compared to net investment sales of \$37.7 million during the three months ended July 2, 2016.

This increase in cash used in investing activities was partially offset by:

- a \$35.7 million decline in capital expenditures. During the three months ended July 1, 2017, we spent \$41.9 million on capital expenditures, as compared to \$77.6 million during the three months ended July 2, 2016. Our capital expenditures during the three months ended July 1, 2017 primarily related to our global retail and department store renovations, new store openings, and the continued enhancements to our global information technology systems.

Net Cash Used in Financing Activities. Net cash used in financing activities was \$61.0 million during the three months ended July 1, 2017, as compared to \$186.4 million during the three months ended July 2, 2016. The \$125.4 million net decrease in cash used in financing activities was primarily driven by:

- a \$100.5 million decline in cash used to repurchase shares of our Class A common stock. During the three months ended July 1, 2017, \$14.4 million in shares of Class A common stock were surrendered or withheld in satisfaction of withholding taxes in connection with the vesting of awards under our long-term stock incentive plans. On a comparative basis, during the three months ended July 2, 2016, we used \$100.0 million to repurchase shares of Class A common stock pursuant to our common stock repurchase program, and an additional \$14.9 million in shares of Class A common stock were surrendered or withheld for taxes; and
- a \$26.1 million decline in cash used to repay debt, less proceeds from debt issuances. We did not issue or repay any debt during the three months ended July 1, 2017. On a comparative basis, during the three months ended July 2, 2016, we issued \$943.9 million of commercial paper notes, which was offset by an equal amount of commercial paper repayments. Additionally, we repaid \$26.1 million of borrowings previously outstanding under our credit facilities during the three months ended July 2, 2016.

Sources of Liquidity

Our primary sources of liquidity are the cash flows generated from our operations, our available cash and cash equivalents and short-term investments, availability under our credit facilities, our issuances of commercial paper notes, and other available financing options.

During the three months ended July 1, 2017, we generated \$334.2 million of net cash flows from our operations. As of July 1, 2017, we had \$1.571 billion in cash, cash equivalents, and short-term investments, of which \$1.288 billion were held by our subsidiaries domiciled outside the U.S. We are not dependent on foreign cash to fund our domestic operations and do not expect to repatriate these balances to meet our domestic cash needs. However, if our plans change and we choose to repatriate any funds to the U.S. in the future, we would be subject to applicable U.S. and foreign taxes.

The following table presents our total availability, borrowings outstanding, and remaining availability under our credit facilities and Commercial Paper Program as of July 1, 2017:

<u>Description^(a)</u>	July 1, 2017		
	Total Availability	Borrowings Outstanding	Remaining Availability
	(millions)		
Global Credit Facility and Commercial Paper Program ^(b)	\$ 500	\$ 10 ^(c)	\$ 490
Pan-Asia Credit Facilities	48	—	48

^(a) As defined in Note 10 to the accompanying consolidated financial statements.

^(b) Borrowings under the Commercial Paper Program are supported by the Global Credit Facility. Accordingly, we do not expect combined borrowings outstanding under the Commercial Paper Program and the Global Credit Facility to exceed \$500 million.

^(c) Represents outstanding letters of credit for which we were contingently liable under the Global Credit Facility as of July 1, 2017.

We believe that our Global Credit Facility is adequately diversified with no undue concentration in any one financial institution. In particular, as of July 1, 2017, there were nine financial institutions participating in the Global Credit Facility, with no one participant maintaining a maximum commitment percentage in excess of 20%. Borrowings under the Pan-Asia Credit Facilities are guaranteed by the parent company and are granted at the sole discretion of the participating regional branches of JPMorgan Chase (the "Banks"), subject to availability of the Banks' funds and satisfaction of certain regulatory requirements. We have no reason to believe that the participating institutions will be unable to fulfill their obligations to provide financing in accordance with the terms of the Global Credit Facility and the Pan-Asia Credit Facilities in the event of our election to draw funds in the foreseeable future.

Our sources of liquidity are used to fund our ongoing cash requirements, including working capital requirements, global retail store and e-commerce expansion, construction and renovation of shop-within-shops, investment in infrastructure, including technology, acquisitions, joint ventures, payment of dividends, debt repayments, Class A common stock repurchases, settlement of contingent liabilities (including uncertain tax positions), and other corporate activities, including our restructuring actions. We believe that our existing sources of cash, the availability under our credit facilities, and our ability to access capital markets will be sufficient to support our operating, capital, and debt service requirements for the foreseeable future, the ongoing development of our businesses, and our plans for further business expansion.

See Note 10 to the accompanying consolidated financial statements and Note 12 of the Fiscal 2017 10-K for detailed disclosure of the terms and conditions of our credit facilities.

Common Stock Repurchase Program

As of July 1, 2017, the remaining availability under our Class A common stock repurchase program was approximately \$100 million. Repurchases of shares of Class A common stock are subject to overall business and market conditions. We currently do not expect to repurchase shares under our Class A common stock repurchase program during Fiscal 2018, as we evaluate the cash needs of our business, the sector dynamics, and the heightened level of uncertainty surrounding potential changes to U.S. taxation policies.

See Note 14 to the accompanying consolidated financial statements for additional information relating to our Class A common stock repurchase program.

Dividends

Since 2003, we have maintained, and intend to continue to maintain, a regular quarterly cash dividend program on our common stock. However, any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors and will depend on our results of operations, cash requirements, financial condition, and other factors that the Board of Directors may deem relevant.

See Note 14 to the accompanying consolidated financial statements for additional information relating to our quarterly cash dividend program.

Debt and Covenant Compliance

In September 2013, we completed a registered public debt offering and issued \$300 million aggregate principal amount of unsecured senior notes due September 26, 2018, which bear interest at a fixed rate of 2.125%, payable semi-annually (the "2.125% Senior Notes"). In August 2015, we completed a second registered public debt offering and issued an additional \$300 million aggregate principal amount of unsecured senior notes due August 18, 2020, which bear interest at a fixed rate of 2.625%, payable semi-annually (the "2.625% Senior Notes").

The indenture and supplemental indentures governing the 2.125% Senior Notes and 2.625% Senior Notes (as supplemented, the "Indenture") contain certain covenants that restrict our ability, subject to specified exceptions, to incur certain liens; enter into sale and leaseback transactions; consolidate or merge with another party; or sell, lease, or convey all or substantially all of our property or assets to another party. However, the Indenture does not contain any financial covenants.

The Global Credit Facility contains a number of covenants, as described in Note 10 to the accompanying consolidated financial statements. As of July 1, 2017, no Event of Default (as such term is defined pursuant to the Global Credit Facility) has occurred under our Global Credit Facility. The Pan-Asia Credit Facilities do not contain any financial covenants.

See Note 10 to the accompanying consolidated financial statements and Note 12 of the Fiscal 2017 10-K for additional information relating to our debt and covenant compliance.

Contractual and Other Obligations

There have been no material changes to our contractual and other obligations as disclosed in our Fiscal 2017 10-K, other than those which occur in the ordinary course of business. Refer to the "*Financial Condition and Liquidity — Contractual and Other Obligations*" section of the MD&A in our Fiscal 2017 10-K for detailed disclosure of our contractual and other obligations as of April 1, 2017.

MARKET RISK MANAGEMENT

As discussed in Note 14 of the Fiscal 2017 10-K and Note 12 to the accompanying consolidated financial statements, we are exposed to a variety of risks, including changes in foreign currency exchange rates relating to foreign currency-denominated balances, certain anticipated cash flows from our international operations, and possible declines in the value of reported net assets of our foreign operations, as well as changes in the fair value of our fixed-rate debt relating to changes in interest rates. Consequently, at times, in the normal course of business, we employ established policies and procedures, including the use of derivative financial instruments, to manage such risks. We do not enter into derivative transactions for speculative or trading purposes.

As a result of the use of derivative instruments, we are exposed to the risk that counterparties to our contracts will fail to meet their contractual obligations. To mitigate this counterparty credit risk, we have a policy of only entering into contracts with carefully selected financial institutions based upon an evaluation of their credit ratings and certain other factors, adhering to established limits for credit exposure. Our established policies and procedures for mitigating credit risk from derivative transactions include ongoing review and assessment of the creditworthiness of our counterparties. We also enter into master netting arrangements with counterparties, when possible, to mitigate credit risk associated with our derivative instruments. As a result of the above considerations, we do not believe that we are exposed to any undue concentration of counterparty risk with respect to our derivative contracts as of July 1, 2017. However, we do have in aggregate \$5.8 million of derivative instruments in net asset positions with three creditworthy financial institutions.

Foreign Currency Risk Management

We manage our exposure to changes in foreign currency exchange rates through the use of forward foreign currency exchange and cross-currency swap contracts. See Note 12 to the accompanying consolidated financial statements for a summary of the notional amounts and fair values of our forward foreign currency exchange and cross-currency swap contracts outstanding as of July 1, 2017.

Forward Foreign Currency Exchange Contracts

We enter into forward foreign currency exchange contracts as hedges to reduce our risk related to exchange rate fluctuations on inventory transactions made in an entity's non-functional currency, intercompany royalty payments made by certain of our international operations, and the settlement of foreign currency-denominated balances. As part of our overall strategy to manage the level of exposure to the risk of foreign currency exchange rate fluctuations, primarily to changes in the value of the Euro, the Japanese Yen, the South Korean Won, the Australian Dollar, the Canadian Dollar, the British Pound Sterling, and the Hong Kong Dollar, we hedge a portion of our foreign currency exposures anticipated over a two-year period. In doing so, we use forward foreign currency exchange contracts that generally have maturities of two months to two years to provide continuing coverage throughout the hedging period of the respective exposure.

Our foreign exchange risk management activities are governed by our Company's established policies and procedures. These policies and procedures provide a framework that allows for the management of currency exposures while ensuring the activities are conducted within our established guidelines. Our policies include guidelines for the organizational structure of our risk management function and for internal controls over foreign exchange risk management activities, including, but not limited to, authorization levels, transaction limits, and credit quality controls, as well as various measurements for monitoring compliance. We monitor foreign exchange risk using different techniques, including a periodic review of market values and sensitivity analyses.

Cross-Currency Swap Contracts

During our fiscal year ended April 2, 2016 ("Fiscal 2016"), we entered into two pay-floating rate, receive-floating rate cross-currency swaps, with notional amounts of €280 million and €274 million, which we designated as hedges of our net investment in certain of our European subsidiaries (the "Cross-Currency Swaps"). The Cross-Currency Swaps, which mature on September 26, 2018 and August 18, 2020, respectively, swap the U.S. Dollar-denominated variable interest rate payments based on the 3-month London Interbank Offered Rate ("LIBOR") plus a fixed spread for Euro-denominated variable interest rate payments based on the 3-month Euro Interbank Offered Rate plus a fixed spread. As a result, the Cross-Currency Swaps, in conjunction with the Interest Rate Swaps (as defined below), economically convert our \$300 million fixed-rate 2.125% and \$300 million fixed-rate 2.625% obligations to €280 million and €274 million floating-rate Euro-denominated liabilities, respectively.

See Note 3 to the accompanying consolidated financial statements for further discussion of our foreign currency exposures, and the types of derivative instruments used to hedge those exposures.

Interest Rate Risk Management

During Fiscal 2016, we entered into two pay-floating rate, receive-fixed rate interest rate swap contracts which we designated as hedges against changes in the respective fair values of our fixed-rate 2.125% Senior Notes and our fixed-rate 2.625% Senior Notes attributed to changes in the benchmark interest rate (the "Interest Rate Swaps"). The Interest Rate Swaps, which mature on September 26, 2018 and August 18, 2020, respectively, both have notional amounts of \$300 million and swap the fixed interest rates on our 2.125% Senior Notes and 2.625% Senior Notes for variable interest rates based on 3-month LIBOR plus a fixed spread.

Investment Risk Management

As of July 1, 2017, we had cash and cash equivalents on-hand of \$830.4 million, consisting of deposits in interest bearing accounts and investments in money market funds and time deposits with original maturities of 90 days or less. Our other significant investments included \$740.5 million of short-term investments, consisting of time deposits with original maturities greater than 90 days; \$46.0 million of restricted cash placed in escrow with certain banks as collateral, primarily to secure guarantees in connection with certain international tax matters; and \$80.1 million of investments with maturities greater than one year, consisting of time deposits.

We actively monitor our exposure to changes in the fair value of our global investment portfolio in accordance with our established policies and procedures, which include monitoring both general and issuer-specific economic conditions, as discussed further below. Our investment objectives include capital preservation, maintaining adequate liquidity, diversification to minimize liquidity and credit risk, and achievement of maximum returns within the guidelines set forth in our investment policy. See Note 12 to the accompanying consolidated financial statements for further detail of the composition of our investment portfolio as of July 1, 2017.

We evaluate investments held in unrealized loss positions, if any, for other-than-temporary impairment on a quarterly basis. This evaluation involves a variety of considerations, including assessments of risks and uncertainties associated with general economic conditions and distinct conditions affecting specific issuers. We consider the following factors: (i) the length of time and the extent to which the fair value has been below cost, (ii) the financial condition, credit worthiness, and near-term prospects of the issuer, (iii) the length of time to maturity, (iv) anticipated future economic conditions and market forecasts, (v) our intent and ability to retain our investment for a period of time sufficient to allow for recovery of market value, and (vi) an assessment of whether it is more likely than not that we will be required to sell our investment before recovery of market value. No material realized or unrealized gains or losses on available-for-sale investments or other-than-temporary impairment charges were recorded in any of the fiscal periods presented.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are described in Note 3 of the Fiscal 2017 10-K. Our estimates are often based on complex judgments, assessments of probability, and assumptions that management believes to be reasonable, but that are inherently uncertain and unpredictable. It is also possible that other professionals, applying reasonable judgment to the same set of facts and circumstances, could develop and support a range of alternative estimated amounts. For a complete discussion of our critical accounting policies, see the "*Critical Accounting Policies*" section of the MD&A in our Fiscal 2017 10-K.

There have been no significant changes in the application of our critical accounting policies since April 1, 2017.

RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 4 to the accompanying consolidated financial statements for a description of certain recently issued or proposed accounting standards which have impacted our consolidated financial statements, or may impact our consolidated financial statements in future reporting periods.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk.*

For a discussion of the Company's exposure to market risk, see "*Market Risk Management*" presented in Part I, Item 2 — MD&A of this Form 10-Q and incorporated herein by reference.

Item 4. *Controls and Procedures.*

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 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 our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures.

We carried out an evaluation based on criteria established in the *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) under the supervision and with the participation of management, including our principal executive and principal financial officers, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Based on that evaluation, our principal executive and principal financial officers have concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of July 1, 2017. Except as discussed below, there has been no change in the Company's internal control over financial reporting during the fiscal quarter ended July 1, 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Operating and Financial Reporting System Implementation

During the first quarter of Fiscal 2018, we completed the migration of our European operations to an operating and financial reporting information technology system, SAP, as part of a multi-year plan to integrate and upgrade our global systems and processes.

As a result of the implementation of this system, we have experienced certain changes to our processes and procedures which, in turn, resulted in changes to our internal control over financial reporting. While we expect SAP to strengthen our internal financial controls by automating certain manual processes and standardizing business processes and reporting across our organization, management will continue to evaluate and monitor our internal controls as processes and procedures in each of the affected areas evolve. For a discussion of risks related to the implementation of new systems, see Item 1A — "Risk Factors — Risks and uncertainties associated with the implementation of information systems may negatively impact our business" in the Fiscal 2017 10-K.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Reference is made to the information disclosed under Item 3 — "Legal Proceedings" in the Fiscal 2017 10-K.

Item 1A. Risk Factors.

Reference is made to the information disclosed under Part I, Item 1A — "Risk Factors" in the Fiscal 2017 10-K, which contains a detailed discussion of certain risk factors that could materially adversely affect the Company's business, operating results, and/or financial condition. There are no material changes to the risk factors previously disclosed, nor has the Company identified any previously undisclosed risks that could materially adversely affect the Company's business, operating results, and/or financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(a) Sales of Unregistered Securities

Shares of the Company's Class B Common Stock may be converted immediately into Class A Common Stock on a one-for-one basis by the holder. There is no cash or other consideration paid by the holder converting the shares and, accordingly, there is no cash or other consideration received by the Company. The shares of Class A Common Stock issued by the Company in such conversions are exempt from registration pursuant to Section 3(a)(9) of the Securities Act of 1933, as amended.

No shares of the Company's Class B common stock were converted into Class A common stock during the three months ended July 1, 2017.

(b) Not Applicable

(c) Stock Repurchases

The following table sets forth the repurchases of shares of the Company's Class A common stock during the three months ended July 1, 2017:

	Total Number of Shares Purchased ^(a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs ^(b)
				(millions)
April 2, 2017 to April 29, 2017	1,738	\$ 79.82	—	\$ 100
April 30, 2017 to May 27, 2017	125,986	77.24	—	100
May 28, 2017 to July 1, 2017	70,174	66.53	—	100
	197,898		—	

^(a) Represents shares surrendered to or withheld by the Company in satisfaction of withholding taxes in connection with the vesting of awards issued under its long-term stock incentive plans.

^(b) Repurchases of shares of Class A common stock are subject to overall business and market conditions.

Item 5. Other Information.

On and effective August 10, 2017, the Board of Directors of the Company approved and adopted the Fourth Amended and Restated By-Laws of the Company (the "Amended By-Laws") to amend certain provisions of the Company's existing by-laws. The following description of the amendments is qualified in its entirety by reference to, and should be read in conjunction with, the full text of the Amended By-Laws, a copy of which is attached hereto as Exhibit 3.3.

Article 2, Section 2.6 and Section 2.14 of the existing by-laws have been amended to update the procedures for fixing a record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, including the procedures for providing notice to the Company to request that a record date be fixed for such purpose.

Item 6. Exhibits.

- 3.1 Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1/A (File No. 333-24733) filed June 10, 1997).
- 3.2 Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Form 8-K filed August 16, 2011).
- 3.3* Fourth Amended and Restated By-Laws of the Company.
- 10.1* Amendment No. 1 to the Employment Agreement, dated June 30, 2017, between the Company and Patrice Louvet.†
- 10.2* Executive Officer Annual Incentive Plan, as amended as of August 10, 2017.†
- 12.1* Computation of Ratio of Earnings to Fixed Charges.
- 31.1* Certification of Principal Executive Officer pursuant to 17 CFR 240.13a-14(a).
- 31.2* Certification of Principal Financial Officer pursuant to 17 CFR 240.13a-14(a).
- 32.1* Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2* Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101* Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets at July 1, 2017 and April 1, 2017, (ii) the Consolidated Statements of Operations for the three-month periods ended July 1, 2017 and July 2, 2016, (iii) the Consolidated Statements of Comprehensive Income (Loss) for the three-month periods ended July 1, 2017 and July 2, 2016, (iv) the Consolidated Statements of Cash Flows for the three-month periods ended July 1, 2017 and July 2, 2016, and (v) the Notes to the Consolidated Financial Statements.

Exhibits 32.1 and 32.2 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that Section. Such exhibits shall not be deemed incorporated by reference into any filing under the Securities Act of 1933 or Securities Exchange Act of 1934.

* Filed herewith.

† Management contract or compensatory plan or arrangement.

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.

RALPH LAUREN CORPORATION

By: /s/ JANE HAMILTON NIELSEN

Jane Hamilton Nielsen

Chief Financial Officer

(Principal Financial and Accounting Officer)

Date: August 10, 2017

FOURTH AMENDED AND RESTATED BY-LAWS

of

Ralph Lauren Corporation

(A Delaware Corporation)

(As adopted by the Board of Directors on August 10, 2017)

ARTICLE 1

DEFINITIONS

As used in these By-laws, unless the context otherwise requires, the term:

1.1 “Assistant Secretary” means an Assistant Secretary of the Corporation.

1.2 “Assistant Treasurer” means an Assistant Treasurer of the Corporation.

1.3 “Board” means the Board of Directors of the Corporation.

1.4 “By-laws” means the initial by-laws of the Corporation, as amended from time to time.

1.5 “Certificate of Incorporation” means the initial certificate of incorporation of the Corporation, as amended from time to time.

1.6 “Chairman” means the Chairman of the Board of Directors of the Corporation.

1.7 “Chief Executive Officer” means the Chief Executive Officer of the Corporation.

1.8 “Corporation” means Ralph Lauren Corporation.

1.9 “Directors” means directors of the Corporation.

1.10 “Entire Board” means all directors of the Corporation in office, whether or not present at a meeting of the Board, but disregarding vacancies.

1.11 “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, or any successor statute thereto.

1.12 “General Corporation Law” means the General Corporation Law of the State of Delaware, as amended from time to time, or any successor statute thereto.

1.13 “office of the Corporation” means the principal executive offices of the Corporation, anything in Section 131 of the General Corporation Law to the contrary notwithstanding.

1.14 “President” means the President of the Corporation.

1.15 “public disclosure” of any date or other information means disclosure thereof by a press release reported by the Dow Jones News Services, Associated Press or comparable U.S. national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

1.16 “Secretary” means the Secretary of the Corporation.

1.17 “Stockholders” means stockholders of the Corporation.

1.18 “Treasurer” means the Treasurer of the Corporation.

1.19 “Vice Chairman” means the Vice Chairman of the Board of Directors of the Corporation.

1.20 “Senior Vice President” means a Senior or Executive Vice President of the Corporation.

ARTICLE 2

STOCKHOLDERS

2.1 Place of Meetings. Every meeting of Stockholders shall be held (a) at the office of the Corporation or at such other place within or without the State of Delaware as shall be specified or fixed in the notice of such meeting or in the waiver of notice thereof, (b) solely by means of remote communication or (c) as otherwise permitted by the General Corporation Law, in each case, as may be designated by the Board from time to time.

2.2 Annual Meeting. A meeting of Stockholders shall be held annually for the election of Directors and the transaction of other business as may properly come before the meeting at such date and time as may be determined by the Board and designated in the notice of meeting.

2.2.1 At any such annual meeting of Stockholders, only such business shall be conducted, and only such proposals shall be acted upon, as shall have been properly brought before the annual meeting of Stockholders (a) by, or at the direction of, the Board or (b) by a Stockholder entitled to vote at the meeting who complies with the procedures set forth in this Section 2.2.1 and who is a Stockholder of record when notice is given and at the time of the meeting. For business or a proposal to be properly brought

before an annual meeting of Stockholders by a Stockholder, the Stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a Stockholder's notice must be delivered personally or mailed to, and received at the office of the Corporation, addressed to the Secretary, by no earlier than 90 days and no later than 60 days before the first anniversary of the date of the prior year's annual meeting of Stockholders; provided, however, if (i) the annual meeting of Stockholders is advanced by more than 30 days, or delayed by more than 60 days, from the first anniversary of the prior year's annual meeting of Stockholders or (ii) no annual meeting was held during the prior year, the notice must be received (x) no earlier than 90 days before such annual meeting and (y) no later than the later of 60 days before such annual meeting and the tenth day after the day on which the notice of such annual meeting was made by mail or public disclosure.

A Stockholder's notice to the Secretary shall set forth as to each matter the Stockholder proposes to bring before an annual meeting of Stockholders (a) a description, in 500 words or less, of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting; (b) the name and address, as they appear on the Corporation's books, of the Stockholder proposing such business (the "Proponent") and any Stockholder Associated Person (as defined below); (c) a description, in 500 words or less, of any interest of the Proponent or any Stockholder Associated Person in such business; (d) a representation that the Stockholder is a holder of record of stock of the Corporation at the time the notice is delivered and intends to be a Stockholder of record at the time of the meeting and intends to appear in person or by proxy at the meeting to present the proposal specified in the notice; (e) as to each Proponent and Stockholder Associated Person (i) the class or series and number of shares of stock directly or indirectly held of record and beneficially by the Proponent or Stockholder Associated Person, (ii) the date such shares of stock were acquired, (iii) a description of any agreement, arrangement or understanding, direct or indirect, with respect to such business between or among the Proponent, any Stockholder Associated Person or any others (including their names) acting in concert with any of the foregoing with respect to such business, (iv) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, hedging transactions and borrowed or loaned shares) that has been entered into, directly or indirectly, as of the date of the Proponent's notice by, or on behalf of, the Proponent or any Stockholder Associated Person (as defined below), the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of the Proponent or any Stockholder Associated Person with respect to shares of stock of the Corporation (a "Derivative"), (v) a description in reasonable detail of any proxy (including revocable proxies), agreement, arrangement, understanding or other relationship pursuant to which the Proponent or Stockholder Associated Person has a right to vote any shares of stock of the Corporation, (vi) a description of any rights to dividends on the stock of the Corporation owned beneficially by the Proponent or Stockholder Associated Person that are separated or separable from the underlying stock of the Corporation, (vii) a description of any proportionate interest in stock of the Corporation or Derivatives held, directly or indirectly, by a general or limited partnership in which the Proponent or Stockholder Associated Person is a general partner or, directly or indirectly, beneficially owns an interest in a general partner and (viii) a description of any performance-

related fees (other than an asset-based fee) that the Proponent or Stockholder Associated Person is entitled to based on any increase or decrease in the value of stock of the Corporation or Derivatives thereof, if any, as of the date of such notice (such information specified in this clause (e) referred to herein as “Stockholder Information”); (f) any material interest of each Proponent and any Stockholder Associated Person in such business; (g) a representation as to whether the Proponent intends (i) to deliver a proxy statement and form of proxy to holders of at least the percentage of the Corporation’s outstanding shares of stock required to approve or adopt such business or (ii) otherwise to solicit proxies from Stockholders in support of such business; (h) all other information that would be required to be filed with the Securities and Exchange Commission if the Proponents or Stockholder Associated Persons were participants in a solicitation subject to Section 14 of the Exchange Act; and (j) a representation that the Proponents shall provide any other information reasonably requested by the Corporation. Notwithstanding anything these Amended and Restated By-Laws or in the Amended and Restated Certificate of Incorporation to the contrary, no business shall be conducted at a meeting of Stockholders except in accordance with the procedures set forth in this Section 2.2.1.

“Stockholder Associated Person” means with respect to any Stockholder, (a) any other beneficial owner of stock of the Corporation that is owned by such Stockholder and (b) any person that directly or indirectly controls, is controlled by, or is under common control with, the Stockholder or such beneficial owner.

The Proponent shall also provide any other information reasonably requested by the Corporation within ten business days after such request. In addition, the Proponent shall further update and supplement the information provided to the Corporation in the notice or upon the Corporation’s request as needed, so that such information shall be true and correct as of the Notice Record Date or Voting Record Date, as applicable, for the meeting and as of the date that is the later of ten business days before the meeting or any adjournment or postponement thereof. Such update and supplement must be delivered personally or mailed to, and received at the office of the Corporation, addressed to the Secretary of the Corporation, by no later than five business days after the Notice Record Date and Voting Record Date, as applicable, for the meeting, and not later than seven business days before the date for the meeting (any adjournment or postponement of the meeting).

If the Proponent (or a qualified representative) does not appear at the annual meeting, such business will not be transacted unless the chairman of the meeting determines otherwise. To be considered a qualified representative of the Stockholder, a person must be a duly authorized officer, manager or partner of such Stockholder or must be authorized by a writing executed by such Stockholder or an electronic transmission delivered by such Stockholder to act for such Stockholder as proxy at the meeting of Stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of Stockholders.

The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that the business was not properly brought before the meeting in

accordance with the procedures prescribed by this Section 2.2.1, and if he or she should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing, nothing in this Section 2.2.1 shall be interpreted or construed to require the inclusion of information about any such proposal in any proxy statement distributed by, at the direction of, or on behalf of, the Board.

The notice requirements of this Section 2.2.1 shall be deemed satisfied with respect to Stockholder proposals that have been properly brought under Rule 14a-8 of the Exchange Act and that are included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting. Further, nothing in this Section 2.2.1 shall be deemed to affect any rights of the holders of any series of preferred stock of the Corporation pursuant to any applicable provision of the Certificate of Incorporation.

2.2.2 Subject to the rights, if any, of the holders of any series of Preferred Stock then outstanding, only persons nominated in accordance with the procedures set forth in this Section 2.2.2 shall be eligible for election as directors. Nominations of persons for election to the Board may be made at an annual meeting of Stockholders or special meeting of Stockholders called by the Board for the purpose of electing directors (a) by or at the direction of the Board or (b) by any Stockholder of the Corporation entitled to vote for the election of directors at such meeting who complies with the notice procedures set forth in this Section 2.2.2 and who is a Stockholder of record when notice is given and at the time of the meeting. Such nominations, other than those made by or at the direction of the Board, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a Stockholder's notice must be delivered personally or mailed to, and received at the office of the Corporation, addressed to the Secretary, by no earlier than 90 days and no later than 60 days before the first anniversary of the date of the prior year's annual meeting of Stockholders; provided, however, if (i) the annual meeting of Stockholders is advanced by more than 30 days, or delayed by more than 60 days, from the first anniversary of the prior year's annual meeting of Stockholders, or (ii) no annual meeting was held during the prior year, the notice must be received (x) no earlier than 90 days before such annual meeting and (y) no later than the later of 60 days before such annual meeting and the tenth day after the day on which the notice of such annual meeting was made by mail or public disclosure.

Notwithstanding anything to the contrary in this Section 2.2.2, if the number of Directors to be elected to the Board at a meeting of Stockholders is increased in connection with the meeting and there is no public disclosure by the Corporation naming the nominees for the additional directorships at least 100 days before the first anniversary of the preceding year's annual meeting, a written notice given by or on behalf of a Stockholder of record shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered personally and received at the office of the Corporation, addressed to the attention of the Secretary of the Corporation, no later than the close of business on the tenth day following the day on which such public disclosure is first made by the Corporation.

A Stockholder's notice to the Secretary shall set forth (a) as to each person whom the Stockholder proposes to nominate for election or reelection as a director (the "Stockholder Nominee") (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of the Corporation which are beneficially owned by such person on the date of such Stockholder's notice and (iv) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required in each case pursuant to Regulation 14A under the Exchange Act (including, without limitation, such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to the Stockholder giving the notice (the "Nominating Stockholder") (i) the name and address, as they appear on the Corporation's books, of the Nominating Stockholder and any Stockholder Associated Person to be supporting such nominee(s) and (ii) a representation that the Stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the Nominating Stockholder and each Stockholder Nominee and other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the Stockholder; (d) the Stockholder Information with respect to each Nominating Stockholder and Stockholder Associate Person; (e) all other information that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required pursuant to Section 14 of the Exchange Act (including, without limitation, such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (f) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships between or among a Nominating Stockholder, Stockholder Associated Person or their respective associates, or other persons acting in concert therewith, including all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the Nominating Stockholder, Stockholder Associated Person or any person acting in concert therewith, were the "registrant" for purposes of such rule and the Stockholder Nominee were a director or executive of such registrant; (g) a representation as to whether the Nominating Stockholder intends (i) to deliver a proxy statement and form of proxy to holders of at least the percentage of the voting power of the Corporation's outstanding shares of stock required to approve the nomination or nominations, or (ii) otherwise to solicit proxies from Stockholders in support of such nomination; and (h) a representation that the Nominating Stockholders shall provide any other information reasonably requested by the Corporation.

No person (other than persons nominated by or at the directors of the Board) shall be eligible for election as director of the Corporation unless nominated in accordance with the procedures set forth in this Section 2.2.2. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by this Section 2.2.2, and, if he or she should so determine, he or she shall so declare to the meeting and the defective nomination

shall be disregarded. If the Stockholder nominating the nominee (or their qualified representative) does not appear at the meeting, their nominations will be disregarded.

2.3 Nominee and Director Qualifications. Unless the Board determines otherwise, to be eligible to be a nominee for election or reelection as a Director, a person must deliver (in accordance with the time periods prescribed for delivery of notice under Section 2.2.2) to the Secretary at the office of the Corporation a written questionnaire with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be provided by the Secretary upon written request) and a written representation and agreement (in the form provided by the Secretary upon written request) that such person (a) is not and will not become a party to (i) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person will act or vote as a Director on any issue or question (a “Voting Commitment”) that has not been disclosed to the Corporation or (ii) any Voting Commitment that could limit or interfere with such person’s ability to comply with such person’s fiduciary duties as a Director under applicable law; (b) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a Director that has not been disclosed therein; and (c) in such person’s individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, and will comply with all applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading and other policies and guidelines of the Corporation that are applicable to Directors.

2.4 Deferred Meeting for Election of Directors, etc. If the annual meeting of Stockholders for the election of Directors and the transaction of other business is not held within the months specified in Section 2.2 hereof, the Board shall call a meeting of Stockholders for the election of Directors and the transaction of other business as soon thereafter as convenient.

2.5 Other Special Meetings. A special meeting of Stockholders (other than a special meeting for the election of Directors), unless otherwise prescribed by statute or by the Certificate of Incorporation, may be called at any time by the Board, by the Chairman or by the Chief Executive Officer. At any special meeting of Stockholders only such business may be transacted as is related to the purpose or purposes of such meeting set forth in the notice thereof given pursuant to Section 2.7 hereof or in any waiver of notice thereof given pursuant to Section 2.8 hereof.

2.6 Fixing Record Date. For the purpose of (a) determining the Stockholders entitled (i) to notice of or to vote at any meeting of Stockholders or any adjournment thereof, (ii) unless otherwise provided in the Certificate of Incorporation and subject to Section 2.6.2, to express consent to corporate action in writing without a meeting or (iii) to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock;

or (b) any other lawful action, the Board may fix a record date (the “Notice Record Date”), which record date shall not precede the date upon which the resolution fixing the record date was adopted by the Board and which Notice Record Date shall not be (x) in the case of clause (a)(i) above, more than 60 nor less than ten days before the date of such meeting, (y) in the case of clause (a)(ii) above, more than ten days after the date upon which the resolution fixing the record date was adopted by the Board and (z) in the case of clause (a)(iii) or (b) above, more than 60 days prior to such action. The Notice Record Date shall also be the record date for determining the Stockholders entitled to vote at such meeting unless the Board determines, at the time it fixes such Notice Record Date, that a later date on or before the date of the meeting shall be the date for making such determination (the “Voting Record Date”).

2.6.1 If no record dates are fixed, the record date for determining Stockholders entitled to notice of or to vote at a meeting of Stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

2.6.2 The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting (unless otherwise provided in the Certificate of Incorporation) shall be as fixed by the Board or as otherwise established under this Section 2.6.2. Any Stockholder seeking to have the Stockholders authorize or take corporate action by written consent without a meeting shall, by written notice addressed to the Secretary of the Corporation, signed by a stockholder of record, and delivered personally or mailed to, and received at the office of the Corporation, request that a record date be fixed for such purpose. The written notice must contain the information set forth in Section 2.2.1 and Section 2.2.2, as applicable. Following receipt of the notice, the Board shall have ten (10) days to determine the validity of the request, and if appropriate, adopt a resolution fixing the record date for such purpose. The record date for such purpose shall be no more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board and shall not precede the date such resolution is adopted. If the Board fails within ten (10) days after the Corporation receives such notice to fix a record date for such purpose, the record date shall be the day on which the first written consent is delivered to the Corporation in the manner prescribed by the General Corporation Law; except that, if prior action by the Board is required under the provisions of the General Corporation Law, the record date shall be at the close of business on the day on which the Board adopts the resolution taking such prior action. In connection with the action proposed to be taken by written consent in accordance with this Section 2.6.2, a Stockholder seeking such action shall further update and supplement the information previously provided to the Corporation in connection therewith, if necessary, to ensure that such information remains accurate.

2.6.3 If no record dates are fixed, the record date for determining Stockholders for any purpose other than those specified in Sections 2.6.1 and 2.6.2 shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

When a determination of Stockholders entitled to notice of or to vote at any meeting of Stockholders has been made as provided in this Section 2.6, such determination shall apply to any adjournment thereof unless the Board fixes a new Voting Record Date for the adjourned meeting, in which case the Board shall also fix such Voting Record Date or a date earlier than such date as the new Notice Record Date for the adjourned meeting. Delivery made to the Corporation's registered office in accordance with Section 2.6.2 shall be by hand or by certified or registered mail, return receipt requested.

2.7 Notice of Meetings of Stockholders. Except as otherwise provided in Sections 2.6 and 2.8 hereof, whenever under the provisions of any statute, the Certificate of Incorporation or these By-laws, Stockholders are required or permitted to take any action at a meeting, written notice shall be given stating the place, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by any statute, the Certificate of Incorporation or these By-laws, a copy of the notice of any meeting shall be given, personally or by mail, not less than ten nor more than 60 days before the date of the meeting, to each Stockholder entitled to notice of or to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, with postage prepaid, directed to the Stockholder at his or her address as it appears on the records of the Corporation. An affidavit of the Secretary or an Assistant Secretary or of the transfer agent of the Corporation that the notice required by this Section 2.7 has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken, and at the adjourned meeting any business may be transacted that might have been transacted at the meeting as originally called. If, however, the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Stockholder of record entitled to vote at the meeting.

2.8 Waivers of Notice. Whenever the giving of any notice is required by statute, the Certificate of Incorporation or these By-laws, a waiver thereof, in writing, signed by the Stockholder or Stockholders entitled to said notice, whether before or after the event as to which such notice is required, shall be deemed equivalent to notice. Attendance by a Stockholder at a meeting shall constitute a waiver of notice of such meeting except when the Stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the ground that the meeting has not been lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Stockholders need be specified in any written waiver of notice unless so required by statute, the Certificate of Incorporation or these By-laws.

2.9 List of Stockholders. The Secretary shall prepare and make, or cause to be prepared and made, at least ten days before every meeting of Stockholders, a complete list of the Stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each Stockholder and the number of shares registered in the name of each Stockholder. Such list shall be open to the examination of any Stockholder, the Stockholder's agent, or attorney, at the Stockholder's expense, for any purpose germane to

the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any Stockholder who is present. The Corporation shall maintain the Stockholder list in written form or in another form capable of conversion into written form within a reasonable time. Upon the willful neglect or refusal of the Directors to produce such a list at any meeting for the election of Directors, they shall be ineligible for election to any office at such meeting. The stock ledger shall be the only evidence as to who are the Stockholders entitled to examine the stock ledger, the list of Stockholders or the books of the Corporation, or to vote in person or by proxy at any meeting of Stockholders.

2.10 Quorum of Stockholders; Adjournment. Except as otherwise provided by any statute, the Certificate of Incorporation or these By-laws, the holders of one-third of the voting power of all outstanding shares of stock entitled to vote at any meeting of Stockholders, present in person or represented by proxy, shall constitute a quorum for the transaction of any business at such meeting. When a quorum is once present to organize a meeting of Stockholders, it is not broken by the subsequent withdrawal of any Stockholders. The person presiding at the meeting or the holders of a majority of the voting power of the shares of stock present in person or represented by proxy at any meeting of Stockholders, including an adjourned meeting, whether or not a quorum is present, may adjourn such meeting to another time and place. Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of the Corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity.

2.11 Voting; Proxies. Unless otherwise provided in the Certificate of Incorporation, every Stockholder of record shall be entitled at every meeting of Stockholders to one vote for each share of capital stock standing in his or her name on the record of Stockholders determined in accordance with Section 2.6 hereof. If the Certificate of Incorporation provides for more or less than one vote for any share on any matter, each reference in the By-laws or the General Corporation Law to a majority or other proportion of stock shall refer to such majority or other proportion of the votes of such stock. The provisions of Sections 212 and 217 of the General Corporation Law shall apply in determining whether any shares of capital stock may be voted and the persons, if any, entitled to vote such shares; but the Corporation shall be protected in assuming that the persons in whose names shares of capital stock stand on the stock ledger of the Corporation are entitled to vote such shares. Holders of redeemable shares of stock are not entitled to vote after the notice of redemption is mailed to such holders and a sum sufficient to redeem the stocks has been deposited with a bank, trust company, or other financial institution under an irrevocable obligation to pay the holders the redemption price on surrender of the shares of stock. At any meeting of Stockholders (at which a quorum was present to organize the meeting), all matters, except as otherwise provided by statute or by the Certificate of

Incorporation or by these By-laws, shall be decided by a majority of the votes cast at such meeting by the holders of shares present in person or represented by proxy and entitled to vote thereon, whether or not a quorum is present when the vote is taken. All elections of Directors shall be by written ballot unless otherwise provided in the Certificate of Incorporation. In voting on any other question on which a vote by ballot is required by law or is demanded by any Stockholder entitled to vote, the voting shall be by ballot. Each ballot shall be signed by the Stockholder voting or the Stockholder's proxy and shall state the number of shares voted. Each Stockholder entitled to vote at a meeting of Stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such Stockholder by proxy. The validity and enforceability of any proxy shall be determined in accordance with Section 212 of the General Corporation Law. A Stockholder may revoke any proxy that is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or by delivering a proxy in accordance with applicable law bearing a later date to the Secretary.

2.12 Conduct of Meetings. The Board may adopt such rules and procedures for the conduct of meetings of Stockholders as it deems appropriate. Unless the Board determines otherwise, at each meeting of Stockholders, the Chairman, or in the absence of the Chairman, the Vice Chairman, or in the absence of the Vice Chairman, the Chief Executive Officer, or in the absence of the Chief Executive Officer, the President or, in the absence of the President, a Senior Vice President and, in case more than one Senior Vice President shall be present, that Senior Vice President designated by the Board (or in the absence of any such designation, the most senior such Vice President present), shall serve as chairman of, and preside over, the meeting. Except to the extent inconsistent with the rules and procedures as adopted by the Board, the chairman of the meeting shall have the right and authority to convene, adjourn and reconvene the meeting from time to time, to prescribe such additional rules and procedures and to do all such acts as, in the judgment of such person, are appropriate for the proper conduct of the meeting. Such rules and procedures, whether adopted by the Board or prescribed by the chairman of the meeting, may include, (a) the establishment of an agenda or order of business for the meeting; (b) rules and procedures for maintaining order at the meeting and the safety of those present; (c) limitations on attendance at or participation in the meeting to Stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the person presiding over the meeting shall determine; (d) restrictions on entry to the meeting after the time fixed for the commencement thereof and (e) limitations on the time allotted to questions or comments by participants. The chairman of any meeting of Stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, may determine and declare to the meeting that a matter or business was not properly brought before the meeting and if such chairman should so determine, he or she shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board or the chairman of the meeting, meetings of Stockholders shall not be required to be held in accordance with the rules of parliamentary procedure. The Secretary or, in his or her absence, one of the Assistant Secretaries, shall act as secretary of the meeting. If

none of the officers above designated to act as the chairman of the meeting or as secretary of the meeting shall be present, a person presiding over the meeting or a secretary of the meeting, as the case may be, shall be designated by the Board and, if the Board has not so acted, in the case of the designation of a person to act as secretary of the meeting, such secretary shall be designated by the chairman of the meeting.

2.13 Voting Procedures and Inspectors of Election at Meetings of Stockholders. The Board, in advance of any meeting of Stockholders, may appoint one or more inspectors to act at the meeting and make a written report thereof. The Board may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate has been appointed or is able to act at a meeting, the person presiding at the meeting may appoint, and on the request of any Stockholder entitled to vote thereat shall appoint, one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall (a) ascertain the number of shares outstanding and the voting power of each, (b) determine the shares represented at the meeting and the validity of proxies and ballots, (c) count all votes and ballots, (d) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (e) certify their determination of the number of shares represented at the meeting and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of their duties. Unless otherwise provided by the Board, the date and time of the opening and the closing of the polls for each matter upon which the Stockholders will vote at a meeting shall be determined by the chairman of the meeting and shall be announced at the meeting. No ballot, proxies or votes, or any revocation thereof or change thereto, shall be accepted by the inspectors after the closing of the polls unless the Court of Chancery of the State of Delaware upon application by a Stockholder shall determine otherwise.

2.14 Written Consent of Stockholders Without a Meeting. Unless otherwise provided in the Certificate of Incorporation and subject to the provisions of Section 2.6.2 hereof, any action required by the General Corporation Law to be taken at any annual or special meeting of Stockholders may be taken without a meeting and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered (by hand or by certified or registered mail, return receipt requested) to the Corporation by delivery to its registered office in the State of Delaware, the office of the Corporation, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of Stockholders are recorded. Every written consent shall bear the date of signature of each Stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the earliest dated consent delivered in the manner required by this Section 2.14, written consents signed by a sufficient number of holders to take action are delivered to the Corporation as aforesaid. Prompt notice of the taking of the

corporate action without a meeting by less than unanimous written consent shall be given to those Stockholders who have not consented in writing.

ARTICLE 3

DIRECTORS

3.1 General Powers. Except as otherwise provided in the Certificate of Incorporation, the business and affairs of the Corporation shall be managed by or under the direction of the Board. The Board may adopt such rules and regulations, not inconsistent with the Certificate of Incorporation or these By-laws or applicable laws, as it may deem proper for the conduct of its meetings and the management of the Corporation. In addition to the powers expressly conferred by these By-laws, the Board may exercise all powers and perform all acts that are not required, by these By-laws or the Certificate of Incorporation or by statute, to be exercised and performed by the Stockholders.

3.2 Number; Qualification; Term of Office. The Board shall consist of six to 20 members (plus any directors which are entitled to be elected by any series of Preferred Stock pursuant to the terms thereof). The number of Directors shall be fixed initially by the incorporator and may thereafter be changed from time to time by action of the Stockholders or by action of the Board. Directors need not be Stockholders. Each Director shall hold office until a successor is elected and qualified or until the Director's death, resignation or removal.

3.3 Election. Directors shall, except as otherwise required by statute or by the Certificate of Incorporation, be elected by a plurality of the votes cast at a meeting of Stockholders by the holders of shares entitled to vote in the election.

3.4 Newly Created Directorships and Vacancies. Unless otherwise provided in the Certificate of Incorporation, newly created Directorships resulting from an increase in the number of Directors and vacancies occurring in the Board for any other reason, including the removal of Directors without cause, may be filled only by (a) the affirmative votes of a majority of the remaining directors elected by holders of each class of Common Stock or series of Preferred Stock that (i) elected such directorship and (ii) as of the date such vacancy is filled, would be entitled to elect such directorship at the next annual meeting of Stockholders or, (b) if there are no such remaining directors, then by a plurality of the votes cast by the holders of the class or classes of Common Stock or series of Preferred Stock that, as of the date such vacancy is filled, would be entitled to elect such directorship at the next annual meeting of Stockholders, voting as a separate class at a meeting, special or otherwise, of the holders of Common Stock of such class or classes or series of Preferred Stock. A Director elected to fill a vacancy shall be elected to hold office until a successor is elected and qualified, or until the Director's earlier death, resignation or removal.

3.5 Resignation. Any Director may resign at any time by written notice to Secretary of the Corporation. Such resignation shall take effect at the time therein specified, and, unless otherwise specified in such resignation, the acceptance of such resignation shall not be necessary to make it effective.

3.6 Removal. Unless otherwise provided in the Certificate of Incorporation, and subject to the provisions of Section 141(k) of the General Corporation Law, directors may be removed with or without cause only by a majority of the holders of the class or classes of Common Stock or series of Preferred Stock that, as of the date such removal is effected, would be entitled to elect such directorship at the next annual meeting of Stockholders.

3.7 Compensation. Each Director, in consideration of his or her service as such, shall be entitled to receive from the Corporation such amount per annum or such fees for attendance at Directors' meetings, or both, as the Board may from time to time determine, together with reimbursement for the reasonable out-of-pocket expenses, if any, incurred by such Director in connection with the performance of his or her duties. Each Director who shall serve as a member of any committee of Directors in consideration of serving as such shall be entitled to such additional amount per annum or such fees for attendance at committee meetings, or both, as the Board may from time to time determine, together with reimbursement for the reasonable out-of-pocket expenses, if any, incurred by such Director in the performance of his or her duties. Nothing contained in this Section 3.7 shall preclude any Director from serving the Corporation or its subsidiaries in any other capacity and receiving proper compensation therefor.

3.8 Times and Places of Meetings. The Board may hold meetings, both regular and special, either within or without the State of Delaware. The times and places for holding meetings of the Board may be fixed from time to time by resolution of the Board or (unless contrary to a resolution of the Board) in the notice of the meeting.

3.9 Annual Meetings. On the day when and at the place where the annual meeting of Stockholders for the election of Directors is held, and as soon as practicable thereafter, the Board may hold its annual meeting, without notice of such meeting, for the purposes of organization, the election of officers and the transaction of other business. The annual meeting of the Board may be held at any other time and place specified in a notice given as provided in Section 3.11 hereof for special meetings of the Board or in a waiver of notice thereof.

3.10 Regular Meetings. Regular meetings of the Board may be held without notice at such times and at such places as shall from time to time be determined by the Board.

3.11 Special Meetings. Special meetings of the Board may be called by the Chairman, the Vice Chairman, the Chief Executive Officer or the Secretary or by any two or more Directors then serving on at least one day's notice to each Director given by one of the means specified in Section 3.14 hereof other than by mail, or on at least three days' notice if given by mail. Special meetings shall be called by the Chairman, the Vice Chairman, the Chief Executive Officer or Secretary in like manner and on like notice on the written request of any two or more of the Directors then serving.

3.12 Telephone Meetings. Directors or members of any committee designated by the Board may participate in a meeting of the Board or of such committee by

means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other or any other means permitted by the General Corporation Law, and participation in a meeting pursuant to this Section 3.12 shall constitute presence in person at such meeting.

3.13 Adjourned Meetings. A majority of the Directors present at any meeting of the Board, including an adjourned meeting, whether or not a quorum is present, may adjourn such meeting to another time and place. At least one day's notice of any adjourned meeting of the Board shall be given to each Director whether or not present at the time of the adjournment, if such notice shall be given by one of the means specified in Section 3.14 hereof other than by mail, or at least three days' notice if by mail. Any business may be transacted at an adjourned meeting that might have been transacted at the meeting as originally called.

3.14 Notice Procedure. Subject to Sections 3.11 and 3.17 hereof, whenever, under the provisions of any statute, the Certificate of Incorporation or these By-laws, notice is required to be given to any Director, such notice shall be deemed given effectively if given in person or by telephone, by mail addressed to such Director at such Director's address as it appears on the records of the Corporation, with postage thereon prepaid, or by telegram, telex, telecopy, electronic transmission or any other means permitted by the General Corporation Law.

3.15 Waiver of Notice. Whenever the giving of any notice is required by statute, the Certificate of Incorporation or these By-laws, a waiver thereof, in writing, signed by the person or persons entitled to said notice, whether before or after the event as to which such notice is required, shall be deemed equivalent to notice. Attendance by a person at a meeting shall constitute a waiver of notice of such meeting except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the ground that the meeting has not been lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Directors or a committee of Directors need be specified in any written waiver of notice unless so required by statute, the Certificate of Incorporation or these By-laws.

3.16 Conduct of Meetings. Unless the Board determines otherwise, at each meeting of the Board, the Chairman, or in the absence of the Chairman, the Vice Chairman, or in the absence of the Vice Chairman, the Chief Executive Officer, or in the absence of the Chief Executive Officer, a chairman chosen by a majority of the Directors present, shall preside. The Secretary shall act as secretary at each meeting of the Board. In case the Secretary shall be absent from any meeting of the Board, an Assistant Secretary shall perform the duties of secretary at such meeting; and in the absence from any such meeting of the Secretary and all Assistant Secretaries, the person presiding at the meeting may appoint any person to act as secretary of the meeting.

3.17 Quorum of Directors. The presence in person of a majority of the Entire Board shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board, but a majority of a smaller number may adjourn any such meeting to a later date.

3.18 Action by Majority Vote. Except as otherwise expressly required by statute, the Certificate of Incorporation or these By-laws, the act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board.

3.19 Action Without Meeting. Unless otherwise restricted by the Certificate of Incorporation or these By-laws, any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if all Directors or members of such committee, as the case may be, consent thereto in any manner permitted by the General Corporation Law, and appropriate evidence of such consents are filed with the minutes of proceedings of the Board or committee.

ARTICLE 4

COMMITTEES OF THE BOARD

The Board may, by resolution passed by a vote of a majority of the entire Board, designate one or more committees, each committee to consist of one or more of the Directors of the Corporation. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. If a member of a committee shall be absent from any meeting, or disqualified from voting thereat, the remaining member or members present and not disqualified from voting, whether or not such member or members constitute a quorum, may, by a unanimous vote, appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board passed as aforesaid, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be impressed on all papers that may require it, but no such committee shall have the power or authority of the Board in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation under section 251 or section 252 of the General Corporation Law, recommending to the Stockholders (a) the sale, lease or exchange of all or substantially all of the Corporation's property and assets, or (b) a dissolution of the Corporation or a revocation of a dissolution, or amending the By-laws of the Corporation; and, unless the resolution designating it expressly so provides, no such committee shall have the power and authority to declare a dividend, to authorize the issuance of stock or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law. Unless otherwise specified in the resolution of the Board designating a committee, at all meetings of such committee a majority of the total number of members of the committee shall constitute a quorum for the transaction of business, and the vote of a majority of the members of the committee present at any meeting at which there is a quorum shall be the act of the committee. Each committee shall keep regular minutes of its meetings. Unless the Board otherwise provides, each committee designated by the Board may make, alter and repeal rules for the conduct of its business. In the absence of such rules each committee shall conduct its business in the same manner as the Board conducts its business pursuant to Article 3 of these By-laws.

ARTICLE 5

OFFICERS

5.1 Positions. The officers of the Corporation shall be a Chief Executive Officer, a Secretary, a Treasurer and such other officers as the Board may appoint, including a Chairman, a Vice Chairman, a President, one or more Senior Vice Presidents, one or more Assistant Secretaries and Assistant Treasurers, and such other officers as the Board may from time to time appoint. Such officers of the Corporation shall exercise such powers and perform such duties as shall be determined from time to time by the Board. Any number of offices may be held by the same person unless the Certificate of Incorporation or these By-laws otherwise provide.

5.2 Appointment. The officers of the Corporation shall be chosen by the Board at its annual meeting or at such other time or times as the Board shall determine.

5.3 Compensation. The compensation of all officers of the Corporation shall be fixed by the Board. No officer shall be prevented from receiving a salary or other compensation by reason of the fact that the officer is also a Director.

5.4 Term of Office. Each officer of the Corporation shall hold office for the term for which he or she is elected and until such officer's successor is chosen and qualifies or until such officer's earlier death, resignation or removal. Any officer may resign at any time upon written notice to the Secretary of the Corporation. Such resignation shall take effect at the date of receipt of such notice or at such later time as is therein specified, and, unless otherwise specified, the acceptance of such resignation shall not be necessary to make it effective. The resignation of an officer shall be without prejudice to the contract rights of the Corporation, if any. Any officer elected or appointed by the Board may be removed at any time, with or without cause, by vote of a majority of the entire Board. Any vacancy occurring in any office of the Corporation shall be filled by the Board. The removal of an officer without cause shall be without prejudice to the officer's contract rights, if any. The election or appointment of an officer shall not of itself create contract rights.

5.5 Fidelity Bonds. The Corporation may secure the fidelity of any or all of its officers or agents by bond or otherwise.

5.6 Chairman. The Chairman, if one shall have been appointed, shall preside at all meetings of the Board and shall exercise such powers and perform such other duties as shall be determined from time to time by the Board.

5.7 Vice Chairman. The Vice Chairman, if one shall have been appointed, shall exercise such powers and perform such other duties as shall be determined from time to time by the Board.

5.8 Chief Executive Officer. The Chief Executive Officer of the Corporation shall have general supervision over the business of the Corporation, subject, however, to the control of the Board and of any duly authorized committee of Directors. The Chief Executive Officer shall preside at all meetings of the Stockholders and at all meetings

of the Board at which the Chairman (if there be one) or the Vice Chairman (if there be one) is not present. The Chief Executive Officer may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts and other instruments except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these By-laws to some other officer or agent of the Corporation or shall be required by statute otherwise to be signed or executed and, in general, the Chief Executive Officer shall perform all duties incident to the office of Chief Executive Officer of a corporation and such other duties as may from time to time be assigned to the Chief Executive Officer by the Board.

5.9 President. At the request of the Chief Executive Officer, or, in the Chief Executive Officer's absence, at the request of the Board, the President, if one shall have been appointed, shall perform all of the duties of the Chief Executive Officer and, in so performing, shall have all the powers of, and be subject to all restrictions upon, the Chief Executive Officer. The President may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts or other instruments, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these By-laws to some other officer or agent of the Corporation, or shall be required by statute otherwise to be signed or executed, and the President shall perform such other duties as from time to time may be assigned to the President by the Board or by the Chief Executive Officer.

5.10 Senior Vice Presidents. At the request of the Chief Executive Officer, or, in the Chief Executive Officer's absence, at the request of the Board, the Senior Vice Presidents shall (in the manner designated by the Board) perform all of the duties of the Chief Executive Officer and, in so performing, shall have all the powers of, and be subject to all restrictions upon, the Chief Executive Officer. Any Senior Vice President may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts or other instruments, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these By-laws to some other officer or agent of the Corporation, or shall be required by statute otherwise to be signed or executed, and each Senior Vice President shall perform such other duties as from time to time may be assigned to such Senior Vice President by the Board or by the Chief Executive Officer.

5.11 Secretary. The Secretary shall attend all meetings of the Board and of the Stockholders and shall record all the proceedings of the meetings of the Board and of the Stockholders in a book to be kept for that purpose, and shall perform like duties for committees of the Board, when required. The Secretary shall give, or cause to be given, notice of all special meetings of the Board and of the Stockholders and shall perform such other duties as may be prescribed by the Board or by the Chief Executive Officer, under whose supervision the Secretary shall be. The Secretary shall have custody of the corporate seal of the Corporation, and the Secretary, or an Assistant Secretary, shall have authority to impress the same on any instrument requiring it, and when so impressed the seal may be attested by the signature of the Secretary or by the signature of such Assistant Secretary. The Board may give general authority to any other officer to impress the seal of the Corporation and to attest the same by such officer's signature. The Secretary or an Assistant Secretary may also attest all instruments signed by the Chief Executive Officer, the President or any Senior Vice President. The Secretary shall have charge of all the books, records and papers

of the Corporation relating to its organization and management, shall see that the reports, statements and other documents required by statute are properly kept and filed and, in general, shall perform all duties incident to the office of Secretary of a corporation and such other duties as may from time to time be assigned to the Secretary by the Board or by the Chief Executive Officer.

5.12 Treasurer. The Treasurer shall have charge and custody of, and be responsible for, all funds, securities and notes of the Corporation; receive and give receipts for moneys due and payable to the Corporation from any sources whatsoever; deposit all such moneys and valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board; against proper vouchers, cause such funds to be disbursed by checks or drafts on the authorized depositories of the Corporation signed in such manner as shall be determined by the Board and be responsible for the accuracy of the amounts of all moneys so disbursed; regularly enter or cause to be entered in books or other records maintained for the purpose full and adequate account of all moneys received or paid for the account of the Corporation; have the right to require from time to time reports or statements giving such information as the Treasurer may desire with respect to any and all financial transactions of the Corporation from the officers or agents transacting the same; render to the Chief Executive Officer or the Board, whenever the Chief Executive Officer or the Board shall require the Treasurer so to do, an account of the financial condition of the Corporation and of all financial transactions of the Corporation; exhibit at all reasonable times the records and books of account to any of the Directors upon application at the office of the Corporation where such records and books are kept; disburse the funds of the Corporation as ordered by the Board; and, in general, perform all duties incident to the office of Treasurer of a corporation and such other duties as may from time to time be assigned to the Treasurer by the Board or the Chief Executive Officer.

5.13 Assistant Secretaries and Assistant Treasurers. Assistant Secretaries and Assistant Treasurers shall perform such duties as shall be assigned to them by the Secretary or by the Treasurer, respectively, or by the Board or by the Chief Executive Officer.

ARTICLE 6

CONTRACTS, CHECKS, DRAFTS, BANK ACCOUNTS, ETC.

6.1 Execution of Contracts. The Board, except as otherwise provided in these By-laws, may prospectively or retroactively authorize any officer or officers, employee or employees or agent or agents, in the name and on behalf of the Corporation, to enter into any contract or execute and deliver any instrument, and any such authority may be general or confined to specific instances, or otherwise limited.

6.2 Loans. The Board may prospectively or retroactively authorize the Chief Executive Officer or any other officer, employee or agent of the Corporation to effect loans and advances at any time for the Corporation from any bank, trust company or other institution, or from any firm, corporation or individual, and for such loans and advances the person so authorized may make, execute and deliver promissory notes, bonds or other certificates or evidences of indebtedness of the Corporation, and, when authorized by the

Board so to do, may pledge and hypothecate or transfer any securities or other property of the Corporation as security for any such loans or advances. Such authority conferred by the Board may be general or confined to specific instances, or otherwise limited.

6.3 Checks, Drafts, Etc. All checks, drafts and other orders for the payment of money out of the funds of the Corporation and all evidences of indebtedness of the Corporation shall be signed on behalf of the Corporation in such manner as shall from time to time be determined by resolution of the Board.

6.4 Deposits. The funds of the Corporation not otherwise employed shall be deposited from time to time to the order of the Corporation with such banks, trust companies, investment banking firms, financial institutions or other depositaries as the Board may select or as may be selected by an officer, employee or agent of the Corporation to whom such power to select may from time to time be delegated by the Board.

ARTICLE 7

STOCK AND DIVIDENDS

7.1 (a) Certificates Representing Shares. The shares of capital stock of the Corporation may be represented by certificates in such form (consistent with the provisions of Section 158 of the General Corporation Law) as shall be approved by the Board. Such certificates shall be signed by the Chairman, the Chief Executive Officer or a Senior Vice President and by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer, and may be impressed with the seal of the Corporation or a facsimile thereof. The signatures of the officers upon a certificate may be facsimiles, if the certificate is countersigned by a transfer agent or registrar other than the Corporation itself or its employee. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon any certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, such certificate may, unless otherwise ordered by the Board, be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

(b) Electronic Securities Recordation. Notwithstanding the provisions of Section 7.1(a) of this Article 7, the Corporation may adopt a system of issuance, recordation and transfer of its shares by electronic or other means not involving any issuance of certificates, provided the use of such system by the Corporation is permitted in accordance with applicable law.

7.2 Transfer of Shares. Transfers of shares of capital stock of the Corporation shall be made only on the books of the Corporation by the holder thereof or by the holder's duly authorized attorney appointed by a power of attorney duly executed and filed with the Secretary or a transfer agent of the Corporation, and on surrender of the certificate or certificates representing such shares of capital stock properly endorsed for transfer and upon payment of all necessary transfer taxes. Except for shares of Class B Common Stock and Class C Common Stock, which shall be retained by the Corporation as treasury shares, every certificate exchanged, returned or surrendered to the Corporation shall

be marked "Cancelled," with the date of cancellation, by the Secretary or an Assistant Secretary or the transfer agent of the Corporation. A person in whose name shares of capital stock shall stand on the books of the Corporation shall be deemed the owner thereof to receive dividends, to vote as such owner and for all other purposes as respects the Corporation. No transfer of shares of capital stock shall be valid as against the Corporation, its Stockholders and creditors for any purpose, except to render the transferee liable for the debts of the Corporation to the extent provided by law, until such transfer shall have been entered on the books of the Corporation by an entry showing from and to whom transferred.

7.3 Transfer and Registry Agents. The Corporation may from time to time maintain one or more transfer offices or agents and registry offices or agents at such place or places as may be determined from time to time by the Board.

7.4 Lost, Destroyed, Stolen and Mutilated Certificates. The holder of any shares of capital stock of the Corporation shall immediately notify the Corporation of any loss, destruction, theft or mutilation of the certificate representing such shares, and the Corporation may issue a new certificate to replace the certificate alleged to have been lost, destroyed, stolen or mutilated. The Board may, in its discretion, as a condition to the issue of any such new certificate, require the owner of the lost, destroyed, stolen or mutilated certificate, or his or her legal representatives, to make proof satisfactory to the Board of such loss, destruction, theft or mutilation and to advertise such fact in such manner as the Board may require, and to give the Corporation and its transfer agents and registrars, or such of them as the Board may require, a bond in such form, in such sums and with such surety or sureties as the Board may direct, to indemnify the Corporation and its transfer agents and registrars against any claim that may be made against any of them on account of the continued existence of any such certificate so alleged to have been lost, destroyed, stolen or mutilated and against any expense in connection with such claim.

7.5 Rules and Regulations. The Board may make such rules and regulations as it may deem expedient, not inconsistent with these By-laws or with the Certificate of Incorporation, concerning the issue, transfer and registration of certificates representing shares of its capital stock.

7.6 Restriction on Transfer of Stock. A written restriction on the transfer or registration of transfer of capital stock of the Corporation, if permitted by Section 202 of the General Corporation Law and noted conspicuously on the certificate representing such capital stock, may be enforced against the holder of the restricted capital stock or any successor or transferee of the holder, including an executor, administrator, trustee, guardian or other fiduciary entrusted with like responsibility for the person or estate of the holder. Unless noted conspicuously on the certificate representing such capital stock, a restriction, even though permitted by Section 202 of the General Corporation Law, shall be ineffective except against a person with actual knowledge of the restriction. A restriction on the transfer or registration of transfer of capital stock of the Corporation may be imposed either by the Certificate of Incorporation or by an agreement among any number of Stockholders or among such Stockholders and the Corporation. No restriction so imposed shall be binding with respect to capital stock issued prior to the adoption of the restriction

unless the holders of such capital stock are parties to an agreement or voted in favor of the restriction.

7.7 Dividends, Surplus, Etc. Subject to the provisions of the Certificate of Incorporation and of law, the Board:

7.7.1 may declare and pay dividends or make other distributions on the outstanding shares of capital stock in such amounts and at such time or times as it, in its discretion, shall deem advisable giving due consideration to the condition of the affairs of the Corporation;

7.7.2 may use and apply, in its discretion, any of the surplus of the Corporation in purchasing or acquiring any shares of capital stock of the Corporation, or purchase warrants therefor, in accordance with law, or any of its bonds, debentures, notes, scrip or other securities or evidences of indebtedness; and

7.7.3 may set aside from time to time out of such surplus or net profits such sum or sums as, in its discretion, it may think proper, as a reserve fund to meet contingencies, or for equalizing dividends or for the purpose of maintaining or increasing the property or business of the Corporation, or for any purpose it may think conducive to the best interests of the Corporation.

ARTICLE 8

INDEMNIFICATION

8.1 Indemnity Undertaking. To the extent not prohibited by law, the Corporation shall indemnify any person who is or was made, or threatened to be made, a party to any threatened, pending or completed action, suit or proceeding (a "Proceeding"), whether civil, criminal, administrative or investigative, including, without limitation, an action by or in the right of the Corporation to procure a judgment in its favor, by reason of the fact that such person, or a person of whom such person is the legal representative, is or was a Director or officer of the Corporation, or, at the request of the Corporation, is or was serving as a director or officer of any other corporation or in a capacity with comparable authority or responsibilities for any partnership, joint venture, trust, employee benefit plan or other enterprise (an "Other Entity"), against judgments, fines, penalties, excise taxes, amounts paid in settlement and costs, charges and expenses (including attorneys' fees, disbursements and other charges). Persons who are not directors or officers of the Corporation (or otherwise entitled to indemnification pursuant to the preceding sentence) may be similarly indemnified in respect of service to the Corporation or to an Other Entity at the request of the Corporation to the extent the Board at any time specifies that such persons are entitled to the benefits of this Article 8.

8.2 Advancement of Expenses. The Corporation shall, from time to time, reimburse or advance to any Director or officer or other person entitled to indemnification hereunder the funds necessary for payment of expenses, including attorneys' fees and disbursements, incurred in connection with any Proceeding, in advance of the final

disposition of such Proceeding; provided, however, that, if required by the General Corporation Law, such expenses incurred by or on behalf of any Director or officer or other person may be paid in advance of the final disposition of a Proceeding only upon receipt by the Corporation of an undertaking, by or on behalf of such Director or officer (or other person indemnified hereunder), to repay any such amount so advanced if it shall ultimately be determined by final judicial decision from which there is no further right of appeal that such Director, officer or other person is not entitled to be indemnified for such expenses.

8.3 Rights Not Exclusive. The rights to indemnification and reimbursement or advancement of expenses provided by, or granted pursuant to, this Article 8 shall not be deemed exclusive of any other rights to which a person seeking indemnification or reimbursement or advancement of expenses may have or hereafter be entitled under any statute, the Certificate of Incorporation, these By-laws, any agreement, any vote of Stockholders or disinterested Directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office.

8.4 Continuation of Benefits. The rights to indemnification and reimbursement or advancement of expenses provided by, or granted pursuant to, this Article 8 shall continue as to a person who has ceased to be a Director or officer (or other person indemnified hereunder) and shall inure to the benefit of the executors, administrators, legatees and distributees of such person.

8.5 Insurance. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of an Other Entity, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article 8, the Certificate of Incorporation or under section 145 of the General Corporation Law or any other provision of law.

8.6 Binding Effect. The provisions of this Article 8 shall be a contract between the Corporation, on the one hand, and each Director and officer who serves in such capacity at any time while this Article 8 is in effect and any other person entitled to indemnification hereunder, on the other hand, pursuant to which the Corporation and each such Director, officer or other person intend to be, and shall be legally bound. No repeal or modification of this Article 8 shall affect any rights or obligations with respect to any state of facts then or theretofore existing or thereafter arising or any proceeding theretofore or thereafter brought or threatened based in whole or in part upon any such state of facts.

8.7 Procedural Rights. The rights to indemnification and reimbursement or advancement of expenses provided by, or granted pursuant to, this Article 8 shall be enforceable by any person entitled to such indemnification or reimbursement or advancement of expenses in any court of competent jurisdiction. The burden of proving that such indemnification or reimbursement or advancement of expenses is not appropriate shall be on the Corporation. Neither the failure of the Corporation (including its Board, its

independent legal counsel and its Stockholders) to have made a determination prior to the commencement of such action that such indemnification or reimbursement or advancement of expenses is proper in the circumstances nor an actual determination by the Corporation (including its Board, its independent legal counsel and its Stockholders) that such person is not entitled to such indemnification or reimbursement or advancement of expenses shall constitute a defense to the action or create a presumption that such person is not so entitled. Such a person shall also be indemnified for any expenses incurred in connection with successfully establishing his or her right to such indemnification or reimbursement or advancement of expenses, in whole or in part, in any such proceeding.

8.8 Service Deemed at Corporation's Request. Any Director or officer of the Corporation serving in any capacity (a) another corporation of which a majority of the shares entitled to vote in the election of its directors is held, directly or indirectly, by the Corporation or (b) any employee benefit plan of the Corporation or any corporation referred to in clause (a) shall be deemed to be doing so at the request of the Corporation.

8.9 Election of Applicable Law. Any person entitled to be indemnified or to reimbursement or advancement of expenses as a matter of right pursuant to this Article 8 may elect to have the right to indemnification or reimbursement or advancement of expenses interpreted on the basis of the applicable law in effect at the time of the occurrence of the event or events giving rise to the applicable Proceeding, to the extent permitted by law, or on the basis of the applicable law in effect at the time such indemnification or reimbursement or advancement of expenses is sought. Such election shall be made, by a notice in writing to the Corporation, at the time indemnification or reimbursement or advancement of expenses is sought; provided, however, that if no such notice is given, the right to indemnification or reimbursement or advancement of expenses shall be determined by the law in effect at the time indemnification or reimbursement or advancement of expenses is sought.

ARTICLE 9

BOOKS AND RECORDS

9.1 Books and Records. There shall be kept at the office of the Corporation correct and complete records and books of account recording the financial transactions of the Corporation and minutes of the proceedings of the Stockholders, the Board and any committee of the Board. The Corporation shall keep at the office of the Corporation, or at the office of the transfer agent or registrar of the Corporation, a record containing the names and addresses of all Stockholders, the number and class of shares held by each and the dates when they respectively became the owners of record thereof.

9.2 Form of Records. Any records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or be in the form of, any information storage device, provided that the records so kept can be converted into clearly legible written form within a reasonable time. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect the same.

9.3 Inspection of Books and Records. Except as otherwise provided by law, the Board shall determine from time to time whether, and, if allowed, when and under what conditions and regulations, the accounts, books, minutes and other records of the Corporation, or any of them, shall be open to the Stockholders for inspection.

ARTICLE 10

SEAL

The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or otherwise reproduced.

ARTICLE 11

FISCAL YEAR

The fiscal year of the Corporation shall be fixed, and may be changed, by resolution of the Board.

ARTICLE 12

PROXIES AND CONSENTS

Unless otherwise directed by the Board, the Chairman, the Vice Chairman, the Chief Executive Officer, the President, any Senior Vice President, the Secretary or the Treasurer, or any one of them, may execute and deliver on behalf of the Corporation proxies respecting any and all shares or other ownership interests of any Other Entity owned by the Corporation appointing such person or persons as the officer executing the same shall deem proper to represent and vote the shares or other ownership interests so owned at any and all meetings of holders of shares or other ownership interests, whether general or special, and/or to execute and deliver consents respecting such shares or other ownership interests; or any of the aforesaid officers may attend any meeting of the holders of shares or other ownership interests of such Other Entity and thereat vote or exercise any or all other powers of the Corporation as the holder of such shares or other ownership interests.

ARTICLE 13

EMERGENCY BY-LAWS

Unless the Certificate of Incorporation provides otherwise, the following provisions of this Article 13 shall be effective during an emergency, which is defined as when a quorum of the Corporation's Directors cannot be readily assembled because of some catastrophic event. During such emergency:

13.1 Notice to Board Members. Any one member of the Board or any one of the following officers: Chairman, Vice Chairman, Chief Executive Officer, President, any Senior Vice President, Secretary, or Treasurer, may call a meeting of the Board. Notice

of such meeting need be given only to those Directors whom it is practicable to reach, and may be given in any practical manner, including by publication and radio. Such notice shall be given at least six hours prior to commencement of the meeting.

13.2 Temporary Directors and Quorum. One or more officers of the Corporation present at the emergency Board meeting, as is necessary to achieve a quorum, shall be considered to be Directors for the meeting, and shall so serve in order of rank, and within the same rank, in order of seniority. In the event that less than a quorum of the Directors are present (including any officers who are to serve as Directors for the meeting), those Directors present (including the officers serving as Directors) shall constitute a quorum.

13.3 Actions Permitted To Be Taken. The Board as constituted in Section 13.2, and after notice as set forth in Section 13.1, may:

- 13.3.1 prescribe emergency powers to any officer of the Corporation;
- 13.3.2 delegate to any officer or Director, any of the powers of the Board;
- 13.3.3 designate lines of succession of officers and agents, in the event that any of them are unable to discharge their duties;
- 13.3.4 relocate the principal place of business, or designate successive or simultaneous principal places of business; and
- 13.3.5 take any other convenient, helpful or necessary action to carry on the business of the Corporation.

ARTICLE 14

AMENDMENTS

These By-laws may be amended or repealed and new By-laws may be adopted by a vote of the holders of shares entitled to vote in the election of Directors or by the Board. Any By-laws adopted or amended by the Board may be amended or repealed by the Stockholders entitled to vote thereon.

ARTICLE 15

FORUM SELECTION

Unless the Corporation consents in writing to the selection of an alternative forum, the sole and exclusive forum for (a) any derivative or similar action or proceeding brought on behalf of the Corporation, (b) any action asserting a claim of breach of a fiduciary duty owed by any Director, officer of the Corporation, employee or agent of the Corporation to the Corporation or the Stockholders, (c) any action asserting a claim arising pursuant to any provision of the General Corporation Law, the Certificate of Incorporation or these By-laws, or (d) any action asserting a claim governed by the internal affairs doctrine shall be a state or federal court located within the State of Delaware, in all cases subject to the court

having personal jurisdiction over the indispensable parties named as defendants therein. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this By-law.

AMENDMENT NO. 1
to the
EMPLOYMENT AGREEMENT

AMENDMENT ("Amendment No. 1") dated June 30, 2017, and made effective as of that date (the "Effective Date"), by and between Ralph Lauren Corporation, a Delaware corporation (the "Company"), and Patrice Louvet (the "Executive").

WHEREAS, the Executive shall serve as the President and Chief Executive Officer of the Company pursuant to an Employment Agreement by and between the Company and the Executive dated May 11, 2017 (the "Employment Agreement"); and

WHEREAS, the Company and the Executive wish to amend the Employment Agreement in certain respects;

NOW, THEREFORE, intending to be bound, the parties hereby agree as follows.

1. The second paragraph of the Section entitled "Annual Equity Award" in Exhibit 1 attached to the Employment Agreement is amended to read in its entirety as follows, effective as of the Effective Date:

"For Fiscal 2018 only, the award will be granted on the Start Date, and the performance criteria will be based on cumulative operating margin, as determined by the Compensation Committee by no later than June 30, 2017, for a three year performance period consisting of Fiscal Years 2018, 2019, and 2020, with a payout capped at the target number of shares unless a three year cumulative revenue goal, as determined by the Compensation Committee and for the same three fiscal years, is met or exceeded. Such award will vest and be paid out as soon as practicable and in accordance with the Company's normal process after the results for the performance period are certified by the Compensation Committee.

2. Except as amended and/or modified by this Amendment No. 1, the Employment Agreement is hereby ratified and confirmed and all other terms of the Employment Agreement shall remain in full force and effect, unaltered and unchanged by this Amendment No. 1.

IN WITNESS WHEREOF, the Company has caused this Amendment No. 1 to be duly executed and the Executive has hereunto set his hand on the date first set forth above, as of the Effective Date.

RALPH LAUREN CORPORATION

By: /s/ JOEL FLEISHMAN
Joel Fleishman,
Chairman of the Compensation &
Organizational Development Committee

EXECUTIVE

/s/ PATRICE LOUVET
Patrice Louvet

RALPH LAUREN CORPORATION
AMENDED AND RESTATED EXECUTIVE OFFICER ANNUAL INCENTIVE PLAN

(As Amended as of August 10, 2017)

1. PURPOSE.

The purposes of the Plan are to promote the success of the Company; to provide designated Executive Officers with an opportunity to receive incentive compensation dependent upon that success; to attract, retain and motivate such individuals; and to provide Awards that are “qualified performance-based compensation” under Section 162(m) of the Code.

2. DEFINITIONS.

“Affiliate” shall mean (i) any Person that, directly or indirectly, is controlled by, or controls or is under common control with the Company and (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Committee.

“Award” means an incentive award made pursuant to the Plan.

“Award Schedule” means the Award Schedule established pursuant to Section 4.1.

“Board of Directors” means the Board of Directors of the Company.

“Change in Control” has the meaning given such term in the Company’s 2010 Long-Term Stock Incentive Plan, or any successor plan, each as may be amended from time to time.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Committee” means a committee or subcommittee of the Board of Directors that is designated by the Board of Directors to administer the Plan and is composed of not less than two directors, each of whom is intended to be an “outside director” (within the meaning of Code Section 162(m)). The mere fact that a Committee member shall fail to qualify as an “outside director” within the meaning of Code Section 162(m) shall not invalidate any Award made by the Committee which Award is otherwise validly made under the Plan.

“Company” means Ralph Lauren Corporation and its successors.

“Covered Employee” means a covered employee within the meaning of Code Section 162(m)(3).

“Determination Period” means, with respect to a Performance Period applicable to any Award under the Plan, the period commencing with the first day of such Performance Period and ending on the earlier to occur of (i) 90 days after the commencement of the Performance Period or (ii) the date upon which twenty-five percent (25%) of the Performance Period shall have elapsed.

“Executive Officer” means a person who is an executive officer of the Company for purposes of the Securities Exchange Act of 1934, as amended.

“Participant” means an Executive Officer selected from time to time by the Committee to participate in the Plan.

“Performance Criteria” shall mean the criterion or criteria that the Committee shall select for purposes of establishing the Performance Goal(s) for a Performance Period with respect to any Award under the Plan. The Performance Criteria that will be used to establish the Performance Goal(s) shall be based on the attainment of specific levels of performance of the Company (and/or one or more subsidiaries, Affiliates, divisions or operational and/or business units, product lines, brands, business segments, administrative departments or any combination of the foregoing) and shall be

limited to the following: (a) net earnings or net income (before or after taxes); (b) basic or diluted earnings per share (before or after taxes); (c) net revenue or net revenue growth; (d) gross revenue or gross revenue growth, or gross profit or gross profit growth; (e) net operating profit (before or after taxes); (f) return measures (including, but not limited to, return on investment, assets, capital, employed capital, invested capital, equity, or sales); (g) cash flow measures (including, but not limited to, operating cash flow, free cash flow, and cash flow return on capital), which may but are not required to be measured on a per share basis; (h) earnings before or after taxes, interest, depreciation and/or amortization; (i) gross or net operating margins; (j) productivity ratios; (k) share price (including, but not limited to, growth measures and total stockholder return); (l) expense targets or cost reduction goals; (m) general and administrative expense savings; (n) operating efficiency; (o) objective measures of customer satisfaction; (p) working capital targets; (q) measures of economic value added or other “value creation” metrics; (r) inventory control; (s) enterprise value; (t) customer retention; (u) competitive market metrics; (v) employee retention; (w) timely completion of new product rollouts; (x) timely launch of new facilities; (y) objective measures of personal targets, goals or completion of projects (including but not limited to succession and hiring projects, completion of specific acquisitions, reorganizations or other corporate transactions or capital-raising transactions, expansions of specific business operations and meeting divisional or project budgets); (z) royalty income; (aa) same store sales (comparable sales), comparisons of continuing operations to other operations; (bb) market share; (cc) new store openings (gross or net), store remodelings; (dd) cost of capital, debt leverage year-end cash position or book value; (ee) strategic objectives, development of new product lines and related revenue, sales and margin targets, franchisee growth and retention, menu design and growth, co-branding or international operations; or (ii) any combination of the foregoing. Any one or more of the Performance Criteria may be stated as a percentage of another Performance Criterion, or used on an absolute or relative basis to measure the performance of the Company, subsidiary and/or Affiliate as a whole or any divisions or operational and/or business units, product lines, brands, business segments, or administrative departments of the Company, subsidiary and/or Affiliate or any combination thereof, as the Committee may deem appropriate, or any of the above Performance Criteria may be compared to the performance of a group of comparator companies, or published or special index that the Committee, in its sole discretion, deems appropriate, or compared to various stock market indices. To the extent required under Section 162(m) of the Code, the Committee shall, within the first 90 days of a Performance Period (or, if longer, within the maximum period allowed under Section 162(m) of the Code), define in an objective fashion the manner of calculating the Performance Criteria it selects to use for such Performance Period. In the event that applicable tax and/or securities laws change to permit Committee discretion to alter the governing Performance Criteria without obtaining stockholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining stockholder approval.

“Performance Formula” shall mean, for a Performance Period, the one or more objective formulas applied against the relevant Performance Goal to determine, with regard to the Award of a particular Participant, whether all, some portion but less than all, or none of the Award has been earned for the Performance Period.

“Performance Goals” shall mean, for a Performance Period, the one or more goals established by the Committee for the Performance Period based upon the Performance Criteria. The Committee is authorized at any time during the first 90 days of a Performance Period, or at any time thereafter (but only to the extent the exercise of such authority after the first 90 days of a Performance Period would not cause the Awards granted to any Participant for the Performance Period to fail to qualify as “performance-based compensation” under Section 162(m) of the Code), in its sole and absolute discretion, to adjust or modify the calculation of a Performance Goal for such Performance Period to the extent permitted under Section 162(m) of the Code in order to prevent the dilution or enlargement of the rights of Participants based on the following events: (a) asset write-downs, (b) litigation or claim judgments or settlements, (c) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results, (d) any reorganization and restructuring programs, (e) items that are unusual in nature or infrequently occurring as described in the Financial Accounting Standards Board Accounting Standards Codification Topic 225-20 (or any successor pronouncement thereto) and/or in management’s discussion and analysis of financial condition and results of operations appearing in the Company’s annual report to stockholders for the applicable year, (f) acquisitions or divestitures, (g) any other specific, unusual or nonrecurring events, or objectively determinable category thereof, (h) foreign exchange gains and losses, and (i) a change in the Company’s fiscal year. To the extent such inclusions or exclusions affect Awards to Participants, they shall be prescribed in a form that meets the requirements of Section 162(m) of the Code for deductibility.

“Performance Period” shall mean the one or more periods of time, as the Committee may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant’s right to and the payment of an Award.

“Person” shall mean any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, government or political subdivision thereof or other entity.

“Plan” means the Ralph Lauren Corporation Executive Officer Annual Incentive Plan.

“Plan Year” means the Company’s fiscal year.

3. PARTICIPATION.

Participants shall be selected by the Committee from among the Executive Officers. The selection of an Executive Officer as a Participant for a Performance Period shall not entitle such individual to be selected as a Participant with respect to any other Performance Period.

4. AWARDS.

4.1. *Award Schedules.* With respect to each Performance Period with respect to which an Award may be earned by a Participant under the Plan, prior to the expiration of the Determination Period the Committee shall establish in writing for such Performance Period an Award Schedule for each Participant. The Award Schedule shall set forth the applicable Performance Period, Performance Criteria, Performance Goal(s), and Performance Formula(s) and such other information as the Committee may determine. Once established for a Plan Year, such items shall not be amended or otherwise modified to the extent such amendment or modification would cause the compensation payable pursuant to the Award to fail to constitute qualified performance-based compensation under Code Section 162(m). Award Schedules may vary from Performance Period to Performance Period and from Participant to Participant.

4.2. *Determination of Awards.* A Participant shall be eligible to receive payment in respect of an Award only to the extent that the Performance Goal(s) for such Award are achieved and the Performance Formula as applied against such Performance Goal(s) determines that all or some portion of such Participant’s Award has been earned for the Performance Period. As soon as practicable after the close of each Performance Period, the Committee shall review and certify in writing whether, and to what extent, the Performance Goals for the Performance Period have been achieved and, if so, to calculate and certify in writing that amount of the Award earned by each Participant for such Performance Period based upon such Participant’s Performance Formula. Notwithstanding the foregoing, the Committee, in its sole discretion, may permit the payment of an Award to a Participant (or such Participant’s beneficiary or estate, as applicable) without first certifying the level of attainment of the applicable Performance Goals following (i) a termination of employment due to the Participant’s death or disability or (ii) a Change in Control. The Committee shall then determine the actual amount of the Award to be paid to each Participant and, in so doing, may use negative discretion to decrease, but not increase, the amount of the Award otherwise payable to the Participant based upon such performance. Anything in this Plan to the contrary notwithstanding, the maximum Award payable to any Participant with respect to each Plan Year (or portion thereof) contained within a Performance Period shall be \$20,000,000.

4.3. *Payment of Awards.* Awards shall be paid in a lump sum cash payment as soon as practicable after the amount thereof has been determined and certified in accordance with Section 4.2 (except as otherwise permitted in Section 4.2), but in no event later than the fifteenth (15th) day of the third month following the Plan Year for which the Award relates (or by such later date as would still qualify as a short-term deferral for purposes of Section 409A of the Code). The Committee may, subject to such terms and conditions and within such limits as it may from time to time establish, permit one or more Participants to defer the receipt of amounts due under the Plan in a manner consistent with the requirements of Code Sections 162(m) and 409A so that any increase in the amount of an Award that is deferred shall be based either on a reasonable rate of interest or the performance of a predetermined investment in accordance with Treasury Regulation 1.162-27(e)(2)(iii)(B). Notwithstanding the foregoing, to the extent an amount was intended to be paid so as to qualify as a short-term deferral under Code Section 409A and the applicable regulations, then such payment may be delayed if the requirements of Treasury Regulation 1.409A-1(b)(4) (ii) are met. In such case, payment of such deferred amounts must be made as soon as reasonably practicable following the first date on which the Company anticipates or reasonably should anticipate that, if the payment were made on such date, the Company’s deduction with respect to such payment would no longer be restricted due to the application of Code Section 162(m).

5. TERMINATION OF EMPLOYMENT.

Termination of Employment Prior to the Last Day of the Performance Period. No Award with respect to a Performance Period will be payable to any Participant who is not an employee of the Company on the last day of such Performance Period, except that the Committee in its sole discretion may otherwise permit a payment to such a Participant following (i) a termination of employment due to the Participant's death or disability or (ii) a Change in Control. Furthermore, except as otherwise determined by the Committee, a Participant shall be eligible to receive payment of his or her Award earned during a Performance Period, so long as the Participant is employed on the last day of such Performance Period, notwithstanding any subsequent termination of employment prior to the actual payment of the Award.

6. ADMINISTRATION.

6.1. *In General.* The Committee shall have full and complete authority, in its sole and absolute discretion, (i) to exercise all of the powers granted to it under the Plan, (ii) to construe, interpret and implement the Plan and any related document, (iii) to prescribe, amend and rescind rules relating to the Plan, (iv) to make all determinations necessary or advisable in administering the Plan, and (v) to correct any defect, supply any omission and reconcile any inconsistency in the Plan.

6.2. *Determinations.* The actions and determinations of the Committee or others to whom authority is delegated under the Plan on all matters relating to the Plan and any Awards shall be final and conclusive. Such determinations need not be uniform and may be made selectively among persons who receive, or are eligible to receive, Awards under the Plan, whether or not such persons are similarly situated.

6.3. *Appointment of Experts.* The Committee may appoint such accountants, counsel, and other experts as it deems necessary or desirable in connection with the administration of the Plan.

6.4. *Delegation.* The Committee may delegate to others the authority to execute and deliver such instruments and documents, to do all such acts and things, and to take all such other steps deemed necessary, advisable or convenient for the effective administration of the Plan in accordance with its terms and purposes, except that the Committee shall not delegate any authority with respect to decisions regarding Plan eligibility or the amount, timing or other material terms of Awards.

6.5. *Books and Records.* The Committee and others to whom the Committee has delegated such duties shall keep a record of all their proceedings and actions and shall maintain all such books of account, records and other data as shall be necessary for the proper administration of the Plan.

6.6. *Payment of Expenses.* The Company shall pay all reasonable expenses of administering the Plan, including, but not limited to, the payment of professional, attorney and expert fees.

6.7. *Code Section 162(m).* It is the intent of the Company that this Plan and Awards satisfy the applicable requirements of Code Section 162(m) so that the Company's tax deduction for an Award paid to Participants who are or may be Covered Employees is not disallowed in whole or in part by the operation of such Code Section. If any provision of this Plan or if any Award would otherwise frustrate or conflict with such intent, that provision to the extent possible shall be interpreted and deemed amended so as to avoid such conflict, and, to the extent of any remaining irreconcilable conflict with such intent, that provision shall be deemed void as applicable to such Covered Employees.

6.8. *Code Section 409A.* Notwithstanding any provision of the Plan to the contrary, it is intended that the provisions of this Plan comply with Section 409A of the Code, and all provisions of this Plan shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Each Participant is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or in respect of such Participant in connection with this Plan or any other plan maintained by the Company (including any taxes and penalties under Section 409A of the Code), and neither the Company nor any Affiliate shall have any obligation to indemnify or otherwise hold such Participant (or any beneficiary) harmless from any or all of such taxes or penalties. Notwithstanding any provision of the Plan to the contrary and only to the extent required to avoid the imputation of any tax, penalty or interest pursuant to Section 409A of the Code, if any Participant is a "specified employee" within the meaning of

Section 409A(a)(2)(B)(i) of the Code, no payments in respect of any Award that are “deferred compensation” subject to Section 409A of the Code shall be made to such Participant prior to the date that is six months after the date of Participant’s “separation from service” (as defined in Section 409A of the Code) or, if earlier, Participant’s date of death. Following any applicable six (6) month delay, all such delayed payments will be paid in a single lump sum on the earliest permissible payment date. With respect to any Award that is considered “deferred compensation” subject to Section 409A of the Code, references in the Plan to “termination of employment” (and substantially similar phrases) shall mean “separation from service” within the meaning of Section 409A of the Code. Unless otherwise provided by the Committee, in the event that the timing of payments in respect of any Award (that would otherwise be considered “deferred compensation” subject to Section 409A of the Code) would be accelerated upon the occurrence of (i) a Change in Control, no such acceleration shall be permitted unless the event giving rise to the Change in Control satisfies the definition of a change in the ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation pursuant to Section 409A of the Code or (ii) a disability, no such acceleration shall be permitted unless the disability also satisfies the definition of “Disability” pursuant to Section 409A of the Code. For purposes of Section 409A of the Code, each of the payments that may be made in respect of any Award granted under the Plan is designated as separate payments.

7. MISCELLANEOUS.

7.1. *Nonassignability.* No Award may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant otherwise than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

7.2. *Withholding Taxes.* Whenever payments under the Plan are to be made or deferred, the Company will withhold therefrom, or from any other amounts payable to or in respect of the Participant, an amount sufficient to satisfy any applicable governmental withholding tax requirements related thereto.

7.3. *Amendment or Termination of the Plan.* The Plan may be amended or terminated by the Board of Directors in any respect except that (i) no amendment may be made after the date on which an Executive Officer is selected as a Participant for a Performance Period that would adversely affect the rights of such Participant with respect to such Performance Period without the consent of the affected Participant and (ii) no amendment shall be effective without the approval of the stockholders of the Company to increase the maximum Award payable under the Plan or if, in the opinion of counsel to the Company, such approval is necessary to satisfy the intent set forth in Section 6.7.

7.4. *Other Payments or Awards.* Nothing contained in the Plan will be deemed in any way to limit or restrict the Company from making any award or payment to any person under any other plan, arrangement or understanding, whether now existing or hereafter in effect.

7.5. *Payments to Other Persons.* If payments are legally required to be made to any person other than the person to whom any amount is payable under the Plan, such payments will be made accordingly. Any such payment will be a complete discharge of the liability of the Company under the Plan.

7.6. *Unfunded Plan.* Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company.

7.7. *Limits of Liability.* No member of the Board, the Committee or any employee or agent of the Company (each such person, an “Indemnifiable Person”) shall be liable for any action taken or omitted to be taken or any determination made with respect to the Plan or any Award hereunder (unless constituting fraud or a willful criminal act or omission). Each Indemnifiable Person shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense (including attorneys’ fees) that may be imposed upon or incurred by such Indemnifiable Person in connection with or resulting from any action, suit or proceeding to which such Indemnifiable Person may be a party or in which such Indemnifiable Person may be involved by reason of any action taken or omitted to be taken or determination made under the Plan or any Award and against and from any and all amounts paid by such Indemnifiable Person with

the Company's approval, in settlement thereof, or paid by such Indemnifiable Person in satisfaction of any judgment in any such action, suit or proceeding against such Indemnifiable Person, and the Company shall advance to such Indemnifiable Person any such expenses promptly upon written request (which request shall include an undertaking by the Indemnifiable Person to repay the amount of such advance if it shall ultimately be determined as provided below that the Indemnifiable Person is not entitled to be indemnified); provided that the Company shall have the right, at its own expense, to assume and defend any such action, suit or proceeding and once the Company gives notice of its intent to assume the defense, the Company shall have sole control over such defense with counsel of the Company's choice. The foregoing right of indemnification shall not be available to an Indemnifiable Person to the extent that a final judgment or other final adjudication (in either case not subject to further appeal) binding upon such Indemnifiable Person determines that the acts or omissions or determinations of such Indemnifiable Person giving rise to the indemnification claim resulted from such Indemnifiable Person's fraud or willful criminal act or omission or that such right of indemnification is otherwise prohibited by law or by the Company's Certificate of Incorporation or By Laws. The foregoing right of indemnification shall not be exclusive of or otherwise supersede any other rights of indemnification to which such Indemnifiable Persons may be entitled under the Company's Amended and Restated Certificate of Incorporation or By Laws, as a matter of law, individual indemnification agreement or contract or otherwise, or any other power that the Company may have to indemnify such Indemnifiable Persons or hold them harmless.

7.8. No Right of Employment. Nothing in this Plan will be construed as creating any contract of employment or conferring upon any Participant any right to continue in the employ or other service of the Company or limit in any way the right of the Company to change such person's compensation or other benefits or to terminate the employment or other service of such person with or without Cause.

7.9. Section Headings. The section headings contained herein are for convenience only, and in the event of any conflict, the text of the Plan, rather than the section headings, will control.

7.10. Invalidity. If any term or provision contained herein is to any extent invalid or unenforceable, such term or provision will be reformed so that it is valid, and such invalidity or unenforceability will not affect any other provision or part hereof.

7.11. Applicable Law. The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan and any Award shall be determined in accordance with the laws of the State of New York.

7.12. Effective Date/Term. The Plan as initially adopted became effective upon stockholder approval on August 19, 1999 for the 2000 Plan Year. The Plan was subsequently amended and adopted, and became effective, on the following dates:

<u>Date of Amendment and Adoption by the Board</u>	<u>Date of Approval by Stockholders and Plan Effective Date</u>
June 27, 2007	August 9, 2007
June 29, 2012	August 9, 2012

Upon the approval by the stockholders of the Company at the 2017 annual meeting of stockholders, in a manner consistent with the stockholder approval requirements of Code Section 162(m), of the amendments to the Plan adopted by the Board of Directors on June 21, 2017, the Plan, as amended, shall be effective for the Plan Year in which such approval occurs and each of the succeeding Plan Years through (and including) the 2022 Plan Year, unless sooner terminated by the Board of Directors in accordance with Section 7.3. For the 2023 Plan Year, the Plan shall remain in effect in accordance with its terms unless amended or terminated by the Board of Directors, and the Committee shall make the determinations required by Section 4 for such Plan Year, but the Plan shall be submitted for re-approval by the stockholders of the Company at the annual meeting of stockholders held during the 2023 Plan Year, and payment of all Awards under the Plan for the 2023 Plan Year and any future Plan Years shall be contingent upon such approval.

7.13. Binding Effect. The obligations of the Company under the Plan shall be binding on any successor corporation or organization resulting from a merger, consolidation or other reorganization of the Company, or upon any corporation or organization that succeeds to substantially all of the assets or business of the Company.

7.14. *Forfeiture Events.* The Committee may specify in an Award that an Executive Officer's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, or recoupment, in the reasonable discretion of the Committee, upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but shall not be limited to, termination of the Executive Officer's employment for cause, material violation of material written policies of the Company, or breach of noncompetition, confidentiality, or other restrictive covenants that may apply to the Executive Officer, as determined by the Committee in its reasonable discretion. In addition, if, as a result of an Executive Officer's intentional misconduct or gross negligence, as determined by the Committee in its reasonable discretion, the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, the Committee may, in its reasonable discretion, require the Executive Officer to promptly reimburse the Company for the amount of any payment previously received by the Executive Officer pursuant to any Award that was earned or accrued during the twelve (12) month period following the earlier of the first public issuance or filing with the United States Securities and Exchange Commission of any financial document embodying such financial reporting requirement that required such accounting restatement. To the extent required by applicable law or the rules and regulations of the NYSE or other securities exchange on which the Company's common stock is listed or quoted and, in such case, if so required pursuant to a written policy adopted by the Company, Awards shall be subject (including on a retroactive basis) to clawback, forfeiture or similar requirements (and such requirements shall be deemed incorporated by reference into all outstanding Awards).

RALPH LAUREN CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Three Months Ended	Fiscal Years Ended ^(a)				
	July 1, 2017	April 1, 2017	April 2, 2016	March 28, 2015	March 29, 2014	March 30, 2013
(millions)						
Earnings, as defined:						
Income (loss) before income taxes	\$ 86.8	\$ (104.9)	\$ 551.8	\$ 987.4	\$ 1,095.8	\$ 1,089.3
Add:						
Equity in losses of equity-method investees	0.9	5.2	10.9	11.5	9.4	9.5
Fixed charges	41.3	165.9	178.4	172.0	170.2	162.3
Subtract:						
Income attributable to noncontrolling interests	—	—	—	—	—	0.7
Earnings available to cover fixed charges	\$ 129.0	\$ 66.2	\$ 741.1	\$ 1,170.9	\$ 1,275.4	\$ 1,260.4
Fixed Charges:						
Interest expense	\$ 5.0	\$ 12.4	\$ 21.0	\$ 16.7	\$ 18.7	\$ 19.1
Interest component of rent expense	36.3	153.5	157.4	155.3	151.5	143.2
Total fixed charges	\$ 41.3	\$ 165.9	\$ 178.4	\$ 172.0	\$ 170.2	\$ 162.3
Ratio of earnings to fixed charges^(b)	3.1	0.4	4.2	6.8	7.5	7.8

^(a) The fiscal year ended April 2, 2016 consisted of 53 weeks. All other fiscal years presented consisted of 52 weeks.

^(b) All ratios shown in the above table have been calculated using unrounded numbers.

CERTIFICATION

I, Patrice Louvet, certify that:

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

/s/ PATRICE LOUVET

Patrice Louvet

President and Chief Executive Officer
(Principal Executive Officer)

Date: August 10, 2017

CERTIFICATION

I, Jane Hamilton Nielsen, certify that:

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

/s/ JANE HAMILTON NIELSEN

Jane Hamilton Nielsen
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: August 10, 2017

**Certification of Patrice Louvet Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Ralph Lauren Corporation (the "Company") on Form 10-Q for the period ended July 1, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Patrice Louvet, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ PATRICE LOUVET

Patrice Louvet

August 10, 2017

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Ralph Lauren Corporation and will be retained by Ralph Lauren Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of Jane Hamilton Nielsen Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Ralph Lauren Corporation (the "Company") on Form 10-Q for the period ended July 1, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jane Hamilton Nielsen, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ JANE HAMILTON NIELSEN

Jane Hamilton Nielsen

August 10, 2017

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Ralph Lauren Corporation and will be retained by Ralph Lauren Corporation and furnished to the Securities and Exchange Commission or its staff upon request.