SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED DECEMBER 26, 1998

OR

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

COMMISSION FILE NUMBER 001-13057

POLO RALPH LAUREN CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE	13-2622036
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
650 MADISON AVENUE, NEW YORK, NEW YORK	10022
(Address of principal executive offices)	(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes |X| No |_|

At February 4, 1999, 33,673,214 shares of the registrant's Class A Common Stock, $.01 par value, were outstanding, 43,280,021 shares of the registrant's Class B Common Stock, $.01 par value, were outstanding and 22,720,979 shares of the registrant's Class C Common Stock, $.01 par value were outstanding.

POLO RALPH LAUREN CORPORATION

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POLO RALPH LAUREN CORPORATION
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	DECEMBER 26, 1998 (UNAUDITED)	MARCH 28, 1998
ASSETS		
Current assets		
Cash and cash equivalents	$ 21,077	$ 58,755
Accounts receivable, net of allowances of $11,735 and $12,447, respectively	133,003	149,120
Inventories	380,054	298,485
Deferred tax assets	24,448	24,448
Prepaid expenses and other	39,144	25,656
TOTAL CURRENT ASSETS	597,726	556,464
Property and equipment, net	247,641	175,348
Deferred tax assets	14,213	14,213
Other assets, net	104,514	79,105
	$ 964,094	$ 825,130
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes and acceptances payable - banks	$ 40,000	$ --
Accounts payable	84,582	100,126
Income taxes payable	16,725	2,554
Accrued expenses and other	104,550	99,578
TOTAL CURRENT LIABILITIES	245,857	202,258
Other noncurrent liabilities	51,901	38,546
Stockholders' equity		
Common Stock		
Class A, par value $.01 per share; 500,000,000 shares authorized; 34,277,078 and 34,272,726 shares issued, respectively	343	343
Class B, par value $.01 per share; 100,000,000 shares authorized; 43,280,021 shares issued and outstanding	433	433
Class C, par value $.01 per share; 70,000,000 shares authorized; 22,720,979 shares issued and outstanding	227	227
Additional paid-in-capital	448,031	447,918
Retained earnings	234,719	136,738
Treasury Stock, Class A, at cost (603,864 shares)	(16,084)	--
Unearned compensation	(1,333)	(1,333)
TOTAL STOCKHOLDERS' EQUITY	666,336	584,326
	$ 964,094	$ 825,130

See accompanying notes to financial statements.

POLO RALPH LAUREN CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT SHARE DATA)
(UNAUDITED)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	DECEMBER 26, 1998	DECEMBER 27, 1997	DECEMBER 26, 1998	DECEMBER 27, 1997
Net sales	$395,436	$361,222	$1,116,047	$989,294
Licensing revenue	49,164	44,450	153,951	125,468
Other income	2,930	2,625	11,115	6,539
Net revenues	447,530	408,297	1,281,113	1,121,301
Cost of goods sold	240,661	215,376	657,917	573,449
Gross profit	206,869	192,921	623,196	547,852
Selling, general and administrative expenses	163,009	143,695	456,756	393,978
Income from operations	43,860	49,226	166,440	153,874
Interest (expense) income	(1,074)	453	(1,070)	(2,056)
Income before income taxes	42,786	49,679	165,370	151,818
Provision for income taxes	17,435	20,368	67,389	32,936
Net income	$25,351	$29,311	$97,981	$118,882
PRO FORMA (NOTE 2) - (UNAUDITED)				
Historical income before income taxes				$151,818
Pro forma adjustments other than income taxes				3,162
Pro forma income before income taxes				154,980
Pro forma provision for income taxes				63,542
Pro forma net income				$91,438
Net income per share - Basic and Diluted	$0.25	$0.29	$0.98	$0.91
Common shares outstanding - Basic	99,622,932	100,222,444	99,881,675	100,222,444
Common shares outstanding - Diluted	99,674,214	100,222,444	99,932,957	100,222,444

See accompanying notes to financial statements.

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

	NINE MONTHS ENDED DECEMBER 26, 1998	NINE MONTHS ENDED DECEMBER 27, 1997
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 97,981	$ 118,882
Adjustments to reconcile net income to net cash provided by operating activities		
Benefit from deferred income taxes	--	(21,746)
Depreciation and amortization	33,288	19,964
Provision for losses on accounts receivable	653	589
Changes in deferrred liabilities	(1,557)	2,332
Other	358	297
Changes in assets and liabilities, net of acquisitions		
Accounts receivable	15,515	30,215
Inventories	(79,415)	(30,538)
Prepaid expenses and other	(13,438)	5,381
Other assets	(9,879)	(12,740)
Accounts payable	(17,768)	(30,888)
Income taxes payable and accrued expenses and other	16,601	47,073
NET CASH PROVIDED BY OPERATING ACTIVITIES	42,339	128,821
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment, net	(94,991)	(39,556)
Acquisition, net of cash acquired	(6,981)	(8,551)
Investments in joint venture	--	(5,914)
Cash surrender value - officers' life insurance, net	(1,737)	(1,315)
NET CASH USED IN INVESTING ACTIVITIES	(103,709)	(55,336)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock, net	113	268,797
Repurchases of common stock	(16,084)	--
Proceeds from (repayments of) short-term borrowings, net	40,000	(26,777)
Repayments of borrowings against officers' life insurance policies	--	(5,757)
Repayments of long-term debt and subordinated notes	(337)	(134,964)
Payment of dividend and Reorganization notes	--	(43,024)
Distributions paid to partners	--	(44,855)
NET CASH PROVIDED BY FINANCING ACTIVITIES	23,692	13,420
Net (decrease) increase in cash and cash equivalents	(37,678)	86,905
Cash and cash equivalents at beginning of period	58,755	29,599
Cash and cash equivalents at end of period	$ 21,077	$ 116,504

See accompanying notes to financial statements.

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

	NINE MONTHS ENDED	
	DECEMBER 26, 1998	DECEMBER 27, 1997
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$127	$4,196
Cash paid for income taxes	$55,464	$38,485
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Foreign tax credits distributed to partners		$509
Capital obligations for completed shop-within-shops		$2,701
Fair value of assets acquired, excluding cash	$14,868	$69,537
Less:		
Cash paid	6,981	8,551
Promissory notes issued	5,000	--
Fair market value of common stock issued for acquisition	--	697
Liabilities assumed	$2,887	$60,289
Fair market value of restricted stock grants		$667

See accompanying notes to financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(INFORMATION FOR DECEMBER 26, 1998 AND DECEMBER 27, 1997 IS UNAUDITED)

1 BASIS OF PRESENTATION

(A) UNAUDITED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and in a manner consistent with that used in the preparation of the March 28, 1998 audited consolidated financial statements of Polo Ralph Lauren Corporation and subsidiaries ("Polo"). In the opinion of management, the accompanying consolidated financial statements reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the financial position and results of operations and cash flows for the periods presented.

Operating results for the nine months ended December 26, 1998 and December 27, 1997 are not necessarily indicative of the results that may be expected for a full year. In addition, the unaudited interim consolidated financial statements do not include all information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles. These consolidated financial statements should be read in conjunction with the Company's fiscal 1998 audited consolidated financial statements.

(B) BASIS OF PRESENTATION

Polo Ralph Lauren Corporation ("PRLC") was incorporated in Delaware in March 1997. On June 9, 1997, the partners and certain of their affiliates contributed to PRLC all of the outstanding stock of, and partnership interests in, the entities which comprise the predecessor group of companies in exchange for common stock of PRLC and promissory notes (the "Reorganization"). The accompanying consolidated financial statements for the nine months ended December 27, 1997 include the combined results of operations of Polo Ralph Lauren Enterprises, L.P., Polo Ralph Lauren, L.P. and subsidiaries and The Ralph Lauren Womenswear Company, L.P. and subsidiaries (collectively, the "Predecessor Company") through June 9, 1997 and the consolidated results of operations of Polo thereafter (Polo, together with the Predecessor Company, is referred to herein as the "Company"). The controlling interests of the Predecessor Company were held by Mr. Ralph Lauren, with a 28.5% interest held by certain investment funds affiliated with The Goldman Sachs Group, L.P. (collectively, the "GS Group"). The financial statements of PRLC have not been included prior to the Reorganization because PRLC was a shell company with no business operations.

The accompanying consolidated financial statements as of and for the three months and nine months ended December 26, 1998 and for the three months ended December 27, 1997 include the results of operations of Polo.

The financial statements of the Predecessor Company have been combined and included in the results for the nine months ended December 27, 1997 because of their common ownership. The combined financial statements have been prepared as if the entities comprising the Predecessor Company had operated as a single consolidated group since their respective dates of organization.

All significant intercompany balances and transactions have been eliminated.

(C) INITIAL PUBLIC OFFERING

On June 17, 1997, the Company completed the sale of 11,170,000 shares of its Class A Common Stock at $26.00 per share in connection with its initial public offering. The net proceeds to the Company from the initial public offering, after deducting underwriting discounts and commissions and offering expenses, aggregated $268.8 million.

2 SIGNIFICANT ACCOUNTING POLICIES

(A) PRO FORMA ADJUSTMENTS

The pro forma statement of income data for the nine months ended December 27, 1997 presents the effects on the historical financial statements of certain transactions as if they had occurred at March 30, 1997. The pro forma statement of income data reflects adjustments for: (i) income taxes based upon pro forma pre-tax income as if the Company had been subject to additional Federal, state and local income taxes, calculated using a pro forma effective tax rate of 41.0%; and (ii) the reduction of interest expense resulting from the application of a portion of the net proceeds from the initial public offering to outstanding indebtedness.

(B) NET INCOME PER SHARE

Basic net income per share was calculated by dividing net income by the weighted average number of shares outstanding during the period and excluded any potential dilution. Diluted net income per share was calculated similarly but includes potential dilution from the exercise of stock options and awards. The weighted average number of shares outstanding in the three months and nine months ended December 26, 1998 and in the three months ended December 27, 1997 represents the actual number of shares outstanding during such period. For comparison purposes only, the weighted average number of shares outstanding immediately following the completion of the initial public offering was considered to be outstanding in the nine months ended December 27, 1997.

(C) RECLASSIFICATIONS

For comparison purposes, certain prior period amounts have been reclassified to conform to the current year's presentation.

(D) COMPREHENSIVE INCOME

Effective March 29, 1998, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 130, Reporting Comprehensive Income. This Statement establishes standards for reporting of comprehensive income and its components in the financial statements. For the three months and nine months ended December 26, 1998 and December 27, 1997, comprehensive income was equal to net income.

(E) RECENTLY ISSUED PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. This Statement establishes standards for reporting selected financial data and descriptive information about an enterprise's reportable operating segments (as defined). This Statement also requires the reconciliation of total segment information presented to the corresponding amounts in the general purpose financial statements. Additionally, SFAS No. 131 establishes standards for related disclosures about products and services, geographic areas and major customers. The required disclosures will be presented in the Company's Annual Report on Form 10-K for the fiscal year ending April 3, 1999.

In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. This Statement establishes accounting and reporting standards for derivative instruments and hedging activities. It requires the recognition of all derivatives as either assets or liabilities in the statement of financial position and measurement of those instruments at fair value. The accounting for changes in the fair value of a derivative is dependent upon the intended use of the derivative. SFAS No. 133 will be effective in the Company's first quarter of the fiscal year ending April 1, 2000 and retroactive application is not permitted. The Company does not expect the application of SFAS No. 133 to have a material impact on its financial position or results of operations.

In April 1998, the American Institute of Certified Public Accountants' ("AICPA") Accounting Standards Executive Committee issued Statement of Position No. 98-5 ("SOP 98-5"), Reporting on the Costs of Start-up Activities. SOP 98-5 requires that costs of start-up activities, including store pre-opening costs, be expensed as incurred. The Company's current accounting policy is to capitalize store pre-opening costs as prepaid expenses and amortize such costs into selling, general and administrative expenses over a twelve month period following store opening. SOP 98-5 will be effective in the first quarter of the Company's fiscal year ending April 1, 2000. The Company does not expect the application of SOP 98-5 to have a material impact on its financial position or results of operations.

3 INVENTORIES

	DECEMBER 26, 1998	MARCH 28, 1998
Raw materials	$ 19,221	$ 26,364
Work-in-process	11,993	12,406
Finished goods	348,840	259,715
	$380,054	$298,485

Merchandise inventories of $186.4 million and $130.9 million at December 26, 1998 and March 28, 1998, respectively, were valued utilizing the retail method and are included in finished goods.

4 SUBSEQUENT EVENT

During the fourth quarter of fiscal 1999, the Company announced its intention to formalize a strategic initiative to streamline operations within its wholesale and retail businesses and reduce its overall cost structure. In connection with this initiative, the Company will record a charge of approximately $65.0 million in the fourth quarter of the fiscal year ending April 3, 1999.

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

The following discussion and analysis should be read in conjunction with the Company's consolidated financial statements and related notes thereto which are included herein and the Company's fiscal 1998 audited consolidated financial statements filed with the Company's Form 10-K for the fiscal year ended March 28, 1998. The Company utilizes a 52-53 week fiscal year ending on the Saturday nearest March 31. Accordingly, fiscal years 1999 and 1998 end on April 3, 1999 and March 28, 1998, respectively. Due to the collaborative and ongoing nature of the Company's relationships with its licensees, such licensees are referred to herein as "licensing partners" and the relationships between the Company and such licensees are referred to herein as "licensing alliances." Notwithstanding these references, however, the legal relationship between the Company and its licensees is one of licensor and licensee, and not one of partnership.

Certain statements contained in this report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). See Part II. Other Information. Item 5. - "Statement Regarding Forward-Looking Disclosure."

OVERVIEW

The Company began operations in 1968 as a designer and marketer of premium quality men's clothing and sportswear. Since inception, the Company, through internal operations and in conjunction with its licensing partners, has grown through increased sales of existing product lines, the introduction of new brands and products, expansion into international markets and development of its retail operations. The Company's net revenues are generated from its three integrated operations: wholesale, retail and licensing alliances.

RESULTS OF OPERATIONS

The following discussion provides information and analysis of the Company's results of operations for the three months and nine months ended December 26, 1998 compared to December 27, 1997. As a result of the Company's initial public offering completed on June 17, 1997 and the use of a portion of the net proceeds therefrom to reduce outstanding indebtedness, historical interest expense for the nine months ended December 26, 1998 and December 27, 1997 is not discussed below because such information is not meaningful. The effect of income taxes for the nine months ended December 26, 1998 and December 27, 1997 is also not discussed below because the historic taxation of the operations of the Company is not meaningful with respect to periods following the Reorganization.

The table below sets forth the percentage relationship to net revenues of certain items in the Company's statements of income for the three months and nine months ended December 26, 1998 and December 27, 1997:

	DEC. 26, 1998		DEC. 27, 1997	
	THREE MONTHS	NINE MONTHS	THREE MONTHS	NINE MONTHS
Net sales	88.4%	87.1%	88.5%	88.2%
Licensing revenue	11.0	12.0	10.9	11.2
Other income	0.6	0.9	0.6	0.6
Net revenues	100.0	100.0	100.0	100.0
Gross profit	46.2	48.7	47.3	48.8
Selling, general and administrative expenses	36.4	35.7	35.2	35.1
Income from operations	9.8%	13.0%	12.1%	13.7%

THREE MONTHS ENDED DECEMBER 26, 1998 COMPARED TO THREE MONTHS ENDED DECEMBER 27, 1997

NET SALES. Net sales increased 9.5% to $395.4 million in the three months ended December 26, 1998 from $361.2 million in the three months ended December 27, 1997. Wholesale net sales increased 2.8% to $190.3 million in the three months ended December 26, 1998 from $185.1 million in the corresponding period of fiscal 1998. Wholesale growth primarily reflects volume-driven sales increases in existing menswear and womenswear brands and the timing of menswear product shipments to retailers. These unit increases were offset by decreases in average selling prices resulting from changes in product mix. Retail sales increased by 16.5% to $205.1 million in the three months ended December 26, 1998 from $176.1 million in the corresponding period in fiscal 1998. Of this increase, $29.8 million is attributable to the opening of one new Polo store (net of one store closing) and six new outlet stores in fiscal 1999 and the benefit of three months of operations for new Polo and outlet stores opened in the second half of fiscal 1998. Comparable store sales for the three months ended December 26, 1998 decreased by 0.4% largely due to the following: (i) lower tourism, most notably in the Company's West Coast and Hawaiian stores; and (ii) unseasonably warm weather conditions throughout the United States during the fall selling season as well as other weather issues and store closings. Comparable store sales represent net sales of stores open in both reporting periods for the full portion of such periods. At December 26, 1998, the Company operated 32 Polo stores and 95 outlet stores.

LICENSING REVENUE. Licensing revenue increased 10.6% to $49.2 million in the three months ended December 26, 1998 from $44.5 million in the corresponding period of fiscal 1998. This increase is primarily attributable to an overall increase in sales of existing licensed products, particularly Chaps and Polo Jeans, and the Company's continued expansion and growth in international markets.

GROSS PROFIT. Gross profit as a percentage of net revenues decreased to 46.2% in the three months ended December 26, 1998 from 47.3% in the corresponding period of fiscal 1998. Retail margins decreased significantly in the current quarter due to higher promotional/point of sale markdowns during the holiday season. These decreases were offset by an improvement in wholesale gross margins due to lower off-price sales in the three months ended December 26, 1998. Additionally, licensing revenue, which has no associated cost of goods sold, increased slightly as a percentage of net revenues to 11.0% in the three months ended December 26, 1998 from 10.9% in the corresponding period in fiscal 1998.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative ("SG&A") expenses increased to $163.0 million or 36.4% of net revenues in the three months ended December 26, 1998 from $143.7 million or 35.2% of net revenues in the corresponding period of fiscal 1998. The increase in SG&A expenses as a percentage of net revenues is principally due to start-up costs associated with the expansion of the Company's retail operations as well as increased depreciation expense associated with the Company's shop-within-shop development program.

INTEREST EXPENSE. Interest expense increased to $1.1 million in the three months ended December 26, 1998 from interest income of $0.5 million in the corresponding period of fiscal 1998. This increase is due to an increase in working capital borrowing requirements, primarily for inventory, in the three months ended December 26, 1998. The additional working capital requirements for inventory were primarily driven by the overall growth of the business.

INCOME TAXES. The effective income tax rate was approximately 41% for the three months ended December 26, 1998 and December 27, 1997.

NINE MONTHS ENDED DECEMBER 26, 1998 COMPARED TO NINE MONTHS ENDED DECEMBER 27, 1997

NET SALES. Net sales increased 12.8% to $1.1 billion in the nine months ended December 26, 1998 from $1 billion in the nine months ended December 27, 1997. Wholesale net sales increased 14.1% to $594.1 million in the nine months ended December 26, 1998 from $520.5 million in the corresponding period of fiscal 1998. Wholesale growth primarily reflects increased menswear sales resulting from the timing of shipments to retailers and volume-driven sales increases in existing menswear and womenswear brands. These unit increases were offset by decreases in average selling prices resulting from changes in product mix. Retail sales increased by 11.3% to $521.9 million in the nine months ended December 26, 1998 from $468.8 million in the corresponding period in fiscal 1998. Of this increase, $66.1 million is attributable to the opening of three new Polo stores (net of two store closings) and 23 new outlet stores (net of one store closing) in fiscal 1999 and the benefit of nine months of operations for three new Polo stores and ten new outlet stores opened in fiscal 1998. Comparable store sales for the nine months ended December 26, 1998 decreased by 2.7%

largely due to the following: (i) the effects of a more challenging economic environment; (ii) lower tourism, most notably in the Company's West Coast and Hawaiian stores; (iii) issues encountered during a conversion of the Company's retail merchandising systems during its second fiscal quarter; and (iv) unseasonably warm weather conditions throughout the United States during the fall selling season as well as other weather issues and store closings.

LICENSING REVENUE. Licensing revenue increased 22.7% to $154.0 million in the nine months ended December 26, 1998 from $125.5 million in the corresponding period of fiscal 1998. This increase is primarily attributable to an overall increase in sales of existing licensed products, particularly Chaps, Lauren and Polo Jeans, and the Company's continued expansion and growth in international markets.

GROSS PROFIT. Gross profit as a percentage of net revenues decreased slightly to 48.7% in the nine months ended December 26, 1998 from 48.8% in the corresponding period of fiscal 1998. This decrease was primarily attributable to lower retail gross margins due to higher promotional/point of sale markdowns. This decrease was offset by an increase in licensing revenue as a percentage of net revenues to 12.0% in the nine months ended December 26, 1998 from 11.2% in the corresponding period in fiscal 1998. Wholesale gross margins in the nine months ended December 26, 1998 were consistent with the corresponding period in fiscal 1998.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. SG&A expenses increased to $456.8 million or 35.7% of net revenues in the nine months ended December 26, 1998 from $394.0 million or 35.1% of net revenues in the corresponding period of fiscal 1998. The increase in SG&A expenses as a percentage of net revenues is principally due to start-up costs associated with the expansion of the Company's retail operations as well as increased depreciation expense associated with the Company's shop-within-shops development program.

LIQUIDITY AND CAPITAL RESOURCES

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

Net cash provided by operating activities decreased to $42.3 million in the nine months ended December 26, 1998 from $128.8 million in the comparable period in fiscal 1998. This reduction was primarily driven by increases in inventories primarily due to timing (i.e., shipments and customer remittances) and the overall growth of the business. Additionally, net cash provided by operations decreased due to changes in accrued expenses as a result of the timing of payments. Net cash used in investing activities increased to $103.7 million in the nine months ended December 26, 1998 from $55.3 million in the comparable period in fiscal 1998 principally due to higher capital expenditures. Net cash provided by financing activities increased to $23.7 million in the nine months ended December 26, 1998 from $13.4 million in the comparable period in fiscal 1998. This increase primarily reflects the utilization of short-term borrowings against the Company's Credit Facility (as defined below) offset by repurchases of common stock in the nine months ended December 26, 1998.

On June 9, 1997, the Company entered into a credit facility with a syndicate of banks which consists of a $225.0 million revolving line of credit available for the issuance of letters of credit, acceptances and direct borrowings and matures on December 31, 2002 (the "Credit Facility"). Borrowings under the Credit Facility bear interest, at the Company's option, at a Base Rate equal to the higher of: (i) the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 1/2 of one percent; and (ii) the prime commercial lending rate of The Chase Manhattan Bank in effect from time to time, or at the London Interbank Offered Rate plus an interest margin. The agreement contains customary representations, warranties, covenants and events of default, including covenants regarding maintenance of net worth and leverage ratios, limitations on indebtedness and incurrences of liens, and restrictions on sales of assets and transactions with affiliates. Additionally, the agreement provides that an event of default will occur if Mr. Lauren and related entities fail to maintain a specified minimum percentage of the voting power of the Company's common stock. As of December 26, 1998, the Company had $40.0 million outstanding in direct borrowings and was contingently liable for $30.1 million in outstanding letters of credit under the Credit Facility. The weighted average interest rate on amounts outstanding under the Credit Facility on December 26, 1998 was 5.6%.

During the fourth quarter of fiscal 1999, the Company announced its intention to formalize a strategic initiative to streamline operations within its wholesale and retail businesses and reduce its overall cost structure. In connection with this initiative, the Company will record a charge of approximately $65.0 million in the fourth quarter of the fiscal year ending April 3, 1999. See Part II. Other Information. Item 5. - "Statement Regarding Forward-Looking Disclosure."

Capital expenditures were $95.0 million and $39.6 million in the nine months ended December 26, 1998 and December 27, 1997, respectively. The increase in capital expenditures represents primarily expenditures associated with the Company's shop-within-shops development program which includes new shops, renovations and expansions, as well as expenditures incurred in connection with the expansion of the Company's retail operations. Additionally, capital expenditure increases reflect the purchase by the Company of a distribution center in North Carolina for $16.0 million which it had been previously leasing. The Company plans to invest approximately $120.0 million, net of landlord incentives, over the current fiscal year in its retail stores, including flagship stores and expansion of its distribution facility, the shop-within-shops development program and other capital projects. See Part II. Other Information. Item 5. - "Statement Regarding Forward-Looking Disclosure."

In March 1998, the Board of Directors authorized the repurchase, subject to market conditions, of up to $100.0 million of the Company's Class A Common Stock. Share repurchases under this plan will be made from time to time in the open market over a two-year period which commenced April 1, 1998. Shares acquired under the repurchase program will be used for stock option programs and for other corporate purposes. As of December 26, 1998, the Company had repurchased 603,864 shares of its Class A Common Stock at an aggregate cost of $16.1 million.

Management believes that cash from ongoing operations and funds available under the Credit Facility will be sufficient to satisfy the Company's current level of operations, capital requirements, stock repurchase program and other corporate activities for the next twelve months. Additionally, the Company does not intend to pay dividends on its Common Stock in the next twelve months. See Part II. Other Information. Item 5. - "Statement Regarding Forward-Looking Disclosure."

SEASONALITY OF BUSINESS

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

EXCHANGE RATES

Inventory purchases from contract manufacturers in the Far East are primarily denominated in United States dollars; however, purchase prices for the Company's products may be affected by fluctuations in the exchange rate between the United States dollar and the local currencies of the contract manufacturers, which may have the effect of increasing the Company's cost of goods sold in the future. During the last two years, exchange rate fluctuations have not had a material impact on the Company's inventory cost. Additionally, certain international licensing revenue could be materially affected by currency fluctuations. From time to time, the Company hedges certain exposures to foreign currency exchange rate changes arising in the ordinary course of business.

NEW ACCOUNTING STANDARDS

In June 1997, the FASB issued SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. This Statement establishes standards for reporting selected financial data and descriptive information about an enterprises' reportable operating segments (as defined). This Statement also requires the reconciliation of total segment information presented to the corresponding amounts in the general purpose financial statements. Additionally, SFAS No. 131 establishes standards for related disclosures about products and services, geographic areas and major customers. The required disclosures will be presented in the Company's Annual Report on Form 10-K for the fiscal year ending April 3, 1999.

In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. This Statement establishes accounting and reporting standards for derivative instruments and hedging activities. It requires the recognition of all derivatives as either assets or liabilities in the statement of financial position and measurement of those instruments at fair value. The accounting for changes in the fair value of a derivative is dependent upon the intended use of the derivative. SFAS No. 133 will be effective in the Company's first quarter of fiscal year ending April 1, 2000 and retroactive application is not permitted. The Company does not expect the application of SFAS No. 133 to have a material impact on its financial position or results of operations.

In April 1998, the American Institute of Certified Public Accountants' ("AICPA") Accounting Standards Executive Committee issued Statement of Position No. 98-5 ("SOP 98-5"), Reporting on the Costs of Start-up Activities. SOP 98-5 requires that costs of start-up activities, including store pre-opening costs, be expensed as incurred. The Company's current accounting policy is to capitalize store pre-opening costs as prepaid expenses and amortize such costs into selling, general and administrative expenses over a twelve month period following store opening. SOP 98-5 will be effective in the first quarter of the Company's fiscal year ending April 1, 2000. The Company does not expect the application of SOP 98-5 to have a material impact on its financial position or results of operations.

IMPACT OF THE YEAR 2000 ISSUE

The Company has, with the aid of outside consultants, initiated a program to assess the impact of Year 2000 issues on its information technology ("IT") systems and its non-IT systems and has formulated a plan to address its Year 2000 issues.

Through its assessment, the Company has identified potential date deficiencies in its IT systems, both hardware and software and in its non-IT systems (including functions involving embedded chip technology), and is in the process of addressing these deficiencies through upgrades, replacements and other remediation. The Company expects to complete remediation of its material IT systems no later than the summer of 1999. In connection with other equipment with date sensitive operating controls such as distribution center equipment, HVAC, employee time clocks, security and other similar systems, the Company is in the process of identifying those items which may require replacement or other remediation. The Company expects to complete testing and replacement or other remediation of this equipment no later than the summer of 1999.

The Company has made inquiries of third parties with whom it has material business relationships (such as customers, suppliers, licensees, transportation carriers, utility and other general service providers) to determine whether they will be able to resolve in a timely manner any Year 2000 issues that will materially and adversely impact the Company. This process includes the solicitation of written responses to questionnaires, followed, in some cases, by meetings with certain of such third parties. To date, approximately 60.0% of those contacted have responded, none of whom have raised any Year 2000 issues which the Company believes would have a material adverse affect on the Company. The Company is in the process of sending follow-up inquiries to third parties and expects to complete its survey of third parties in the spring of 1999.

To date, the Company has incurred expenses of approximately $4.4 million related to the assessment of its Year 2000 issues and development and implementation of its remediation plan. The total remaining cost of the Company's Year 2000 project is estimated at $1.7 to $2.7 million and is being funded through operating cash flows. Such costs do not include internal management time and the deferral of other projects, the effects of which are not expected to be material to the Company's results of operations or financial condition. Of the total project cost, approximately $0.6 million is attributable to the purchase of new software which will be capitalized. The remainder will be expensed as incurred. The costs of the Year 2000 project and the dates upon which the Company plans to complete its Year 2000 initiatives are based on management's best estimates, which were derived by utilizing several assumptions of future events including continued availability of certain resources, third party modification plans and other factors. However, there can be no guarantee that these estimates will be achieved, and actual results could differ materially from those plans.

The Company believes that the cause of the most reasonable worst case Year 2000 scenario would be a failure by a significant third party in the Company's supply chain (including, without limitation, utility or other general service provider or government entity) to remediate its Year 2000 deficiencies that continues for several days. If such failure interfered with the Company's electronic data interface system, processing of customer orders and shipments would be impaired and would result in the loss of sales and revenue. The extent of lost revenue as a result of this scenario cannot be estimated at this time.

The Company is in the process of developing contingency plans to ensure that it can address aspects of these and others of its IT and non-IT systems that could be affected by Year 2000 issues and intends to finalize its contingency plans by no later than the summer of 1999. As an example, the Company is in the process of exploring, where possible, alternate service providers. The Company's Year 2000 efforts are ongoing and its overall plan, as well as its development of contingency plans, will continue to evolve as new information becomes available. While the Company anticipates continuity of its business activities, that continuity will be dependent upon its ability, and the ability of third parties with whom the Company relies on directly, or indirectly, to be Year 2000 compliant. See Part II. Other Information. Item 5. - "Statement Regarding Forward-Looking Disclosure."

PART II. OTHER INFORMATION

ITEM 5. OTHER INFORMATION.

STATEMENT REGARDING FORWARD-LOOKING DISCLOSURE

Certain statements in this Form 10-Q and in future filings by the Company with the Securities and Exchange Commission, in the Company's press releases, and in oral statements made by or with the approval of an authorized executive officer constitute "forward-looking statements" within the meaning of the Reform Act. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: changes in global economic conditions; risks associated with changes in the competitive marketplace, including the introduction of new products or pricing changes by the Company's competitors; risks associated with the Company's dependence on sales to a limited number of large department store customers and risks related to extending credit to customers; risks associated with the Company's dependence on its licensing partners for a substantial portion of its net income and risks associated with a lack of operational and financial control over licensed businesses; risks associated with consolidations, restructurings and other ownership changes in the retail industry; uncertainties relating to the Company's ability to implement its growth strategy; risks associated with the possible adverse impact of the inability of the Company's unaffiliated manufacturers to manufacture in a timely manner, to meet quality standards or to use acceptable labor practices; risks associated with changes in social, political, economic and other conditions affecting foreign operations and sourcing; and, the possible adverse impact of changes in import restrictions. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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

(a) Exhibits--

27.1 Financial Data Schedule

(b) Reports on Form 8-K--

No reports on Form 8-K were filed by the Company in the quarter ended December 26, 1998.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

POLO RALPH LAUREN CORPORATION

Date: February 9, 1999

By: /s/ Nancy A. Platoni Poli

Nancy A. Platoni Poli
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

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