

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 January 1, 2000

or

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

COMMISSION FILE NUMBER 001-13057

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

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

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

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

10022  
(Zip Code)

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

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

Yes  No

At February 10, 2000, 32,670,476 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)

	January 1, 2000 ----- (Unaudited)	April 3, 1999 -----
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 345,330	\$ 44,458
Accounts receivable, net of allowances of \$14,341 and \$13,495 respectively	128,908	157,203
Inventories	343,210	376,860
Deferred tax assets	51,939	51,939
Prepaid expenses and other	29,411	48,994
	-----	-----
Total current assets	898,798	679,454
Property and equipment, net	334,901	261,799
Deferred tax assets	12,737	12,493
Restricted cash	--	44,217
Goodwill, net	76,937	27,464
Other assets, net	96,278	79,157
	-----	-----
	\$ 1,419,651	\$ 1,104,584
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Notes and acceptances payable - banks	\$ 25,000	\$ 115,500
Accounts payable	82,741	88,898
Income taxes payable	16,639	17,432
Accrued expenses and other	111,555	126,142
	-----	-----
Total current liabilities	235,935	347,972
Long-term debt	356,705	44,217
Other noncurrent liabilities	73,198	53,490
Stockholders' equity		
Common Stock		
Class A, par value \$.01 per share; 500,000,000 shares authorized; 34,381,653 shares issued	344	344
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	450,030	450,030
Retained earnings	339,015	227,288
Treasury Stock, Class A, at cost (1,711,177 and 603,864 shares)	(36,829)	(16,084)
Accumulated other comprehensive income	2,425	--
Unearned compensation	(1,832)	(3,333)
	-----	-----
Total stockholders' equity	753,813	658,905
	-----	-----
	\$ 1,419,651	\$ 1,104,584
	=====	=====

See accompanying notes to financial statements.

POLO RALPH LAUREN CORPORATION  
CONSOLIDATED STATEMENTS OF INCOME  
(In thousands, except per share data)  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	January 1, 2000	December 26, 1998	January 1, 2000	December 26, 1998
Net sales	\$ 453,015	\$ 395,436	\$ 1,307,996	\$ 1,116,047
Licensing revenue	55,741	49,164	174,945	153,951
Other income	1,543	2,930	5,664	11,115
	-----	-----	-----	-----
Net revenues	510,299	447,530	1,488,605	1,281,113
Cost of goods sold	270,719	240,661	762,635	657,917
	-----	-----	-----	-----
Gross profit	239,580	206,869	725,970	623,196
Selling, general and administrative expenses	181,696	163,009	521,105	456,756
	-----	-----	-----	-----
Income from operations	57,884	43,860	204,865	166,440
Interest expense	3,422	1,074	9,597	1,070
	-----	-----	-----	-----
Income before income taxes and cumulative effect of change in accounting principle	54,462	42,786	195,268	165,370
Provision for income taxes	22,194	17,435	79,574	67,389
	-----	-----	-----	-----
Income before cumulative effect of change in accounting principle	32,268	25,351	115,694	97,981
Cumulative effect of change in accounting principle, net of taxes	--	--	3,967	--
	-----	-----	-----	-----
Net income	<u>\$ 32,268</u>	<u>\$ 25,351</u>	<u>\$ 111,727</u>	<u>\$ 97,981</u>
Income per share before cumulative effect of change in accounting principle - Basic and Diluted	\$ 0.33	\$ 0.25	\$ 1.17	\$ 0.98
Cumulative effect of change in accounting principle, net of taxes, per share - Basic and Diluted	\$ --	\$ --	0.04	\$ --
	-----	-----	-----	-----
Net income per share - Basic and Diluted	<u>\$ 0.33</u>	<u>\$ 0.25</u>	<u>\$ 1.13</u>	<u>\$ 0.98</u>
Weighted average common shares outstanding - Basic	<u>98,807,754</u>	<u>99,622,932</u>	<u>99,155,088</u>	<u>99,881,675</u>
Weighted average common shares outstanding - Diluted	<u>98,938,341</u>	<u>99,674,214</u>	<u>99,299,695</u>	<u>99,932,957</u>

See accompanying notes to financial statements.

POLO RALPH LAUREN CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In thousands)  
(Unaudited)

	Nine Months Ended	
	January 1, 2000	December 26, 1998
	-----	-----
Cash flows from operating activities		
Net income	\$ 111,727	\$ 97,981
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	53,074	33,288
Cumulative effect of change in accounting principle	3,967	--
Provision for losses on accounts receivable	2,268	653
Other	1,579	(1,199)
Changes in assets and liabilities, net of acquisition		
Accounts receivable	26,420	15,515
Inventories	57,713	(79,415)
Prepaid expenses and other	15,943	(13,438)
Other assets, net	(8,672)	(9,879)
Accounts payable	(19,221)	(17,768)
Income taxes payable and accrued expenses and other	(11,039)	16,601
	-----	-----
Net cash provided by operating activities	233,759	42,339
	-----	-----
Cash flows from investing activities		
Purchases of property and equipment, net	(88,627)	(94,991)
Acquisition, net of cash acquired	(52,391)	(6,981)
Proceeds from release of restricted cash held for Club Monaco acquisition	44,217	--
Cash surrender value - officers' life insurance, net	(4,065)	(1,737)
	-----	-----
Net cash used in investing activities	(100,866)	(103,709)
	-----	-----
Cash flows from financing activities		
Proceeds from issuance of common stock, net	--	113
Repurchases of common stock	(20,745)	(16,084)
(Repayments of) proceeds from short-term borrowings, net	(90,500)	40,000
Repayments of long-term debt	(37,358)	(337)
Proceeds from long-term debt	319,611	--
	-----	-----
Net cash provided by financing activities	171,008	23,692
	-----	-----
Net increase (decrease) in cash and cash equivalents	303,901	(37,678)
Effect of exchange rate changes on cash and cash equivalents	(3,029)	--
Cash and cash equivalents at beginning of period	44,458	58,755
	-----	-----
Cash and cash equivalents at end of period	\$ 345,330	\$ 21,077
	=====	=====

See accompanying notes to financial statements.

POLO RALPH LAUREN CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In thousands)  
(Unaudited)

	Nine Months Ended	
	January 1, 2000	December 26, 1998
	-----	-----
Supplemental cash flow information		
Cash paid for interest	\$ 10,085	\$ 127
	=====	=====
Cash paid for income taxes	\$ 79,648	\$ 55,464
	=====	=====
Supplemental schedule of non-cash investing and financing activities		
Fair value of assets acquired, excluding cash	\$113,492	\$ 14,868
Less:		
Cash paid	54,314	6,981
Promissory notes issued	--	5,000
	-----	-----
Liabilities assumed	\$ 59,178	\$ 2,887
	=====	=====
Fair market value of restricted stock grants	\$ 1,501	
	=====	

See accompanying notes to financial statements.

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Information for January 1, 2000 and December 26, 1998 is unaudited)

1 Basis of Presentation

(a) Unaudited Interim Financial Statements

The accompanying unaudited consolidated financial statements include the results of operations of Polo Ralph Lauren Corporation and its subsidiaries (collectively, the "Company"). All significant intercompany balances and transactions have been eliminated.

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 April 3, 1999 audited consolidated financial statements of the Company. 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 three months and nine months ended January 1, 2000 and December 26, 1998 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 unaudited consolidated financial statements should be read in conjunction with the Company's fiscal 1999 audited consolidated financial statements.

(b) Acquisition

On April 6, 1999, PRL Acquisition Corp., a Nova Scotia unlimited liability corporation and a wholly owned subsidiary of the Company, acquired, through a tender offer, 98.83% of the outstanding shares of Club Monaco Inc. ("Club Monaco"), a corporation organized under the laws of the Province of Ontario, Canada. On May 3, 1999, PRL Acquisition Corp. acquired the remaining outstanding 1.17% shares pursuant to a statutory compulsory acquisition. The total purchase price was approximately \$51.0 million in cash based on the then current foreign exchange rates. The Company used funds from its credit facility to finance this acquisition and to repay in full assumed debt of Club Monaco of approximately \$35.0 million. This acquisition has been accounted for as a purchase and the Company has consolidated the operations of Club Monaco in the accompanying financial statements from the effective date of the transaction. The purchase price has been preliminarily allocated based upon fair values at the date of acquisition, pending final determination of certain acquired balances. This preliminary allocation resulted in an excess of purchase price over the estimated fair value of net assets acquired of approximately \$51.0 million, which has been recorded as goodwill and is being amortized on a straight-line basis over an estimated useful life of 40 years.

## 2 Significant Accounting Policies

### (a) 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 included potential dilution from the exercise of stock options and awards.

### (b) Comprehensive Income

For the three and nine months ended January 1, 2000, comprehensive income was as follows:

	Three Months January 1, 2000	Nine Months January 1, 2000
Net income	\$ 32,268	\$111,727
Other comprehensive income, net of taxes:		
Foreign currency translation adjustments	2,425	2,425
	-----	-----
Comprehensive income	\$ 34,693	\$114,152
	=====	=====

Income tax expense related to foreign currency translation adjustments was \$1.7 million in the three and nine months ended January 1, 2000, respectively.

For the three and nine months ended December 26, 1998, comprehensive income was equal to net income.

### (c) Accounting Changes

Effective April 4, 1999, the Company adopted the provisions of 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. Prior to its adoption of SOP 98-5, the Company's accounting policy was to capitalize store pre-opening costs as prepaid expenses and amortize such costs over a twelve-month period following store opening. As a result of adopting SOP 98-5, the Company recorded a charge of \$4.0 million, after taxes, as the cumulative effect of a change in accounting principle in the accompanying financial statements.

Effective April 4, 1999, the Company changed its method of valuing its retail inventories from the retail method to the lower of cost (first-in, first-out) or market. The impact of this change was not material and is included in selling, general and administrative expenses in the accompanying financial statements.

(d) Recently Issued Pronouncements

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 is effective for the Company's first quarter of fiscal year ending March 30, 2002 and retroactive application is not permitted. The Company has not yet determined whether the application of SFAS No. 133 will have a material impact on the Company's financial position or results of operations.

3 Inventories

	January 1, 2000	April 3, 1999
Raw materials	\$ 14,304	\$ 17,675
Work-in-process	8,940	8,545
Finished goods	319,966	350,640
	-----	-----
	\$343,210	\$376,860
	=====	=====

Merchandise inventories of \$196.1 million at April 3, 1999 were valued utilizing the retail method and are included in finished goods.

#### 4 Restructuring Charge

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

In connection with the implementation of the Restructuring Plan, the Company recorded a pre-tax restructuring charge of \$58.6 million in its fourth quarter of fiscal 1999. The major components of the restructuring charge and the activity through January 1, 2000 were as follows:

	Severance and Termination Benefits	Asset Write Downs	Lease and Contract Termination Costs	Other Costs	Total
1999 provision .....	\$ 15,277	\$ 17,788	\$ 24,665	\$ 830	\$ 58,560
1999 activity .....	(3,318)	(17,788)	(1,112)	(105)	(22,323)
	-----	-----	-----	-----	-----
Balance at April 3, 1999 ...	11,959	--	23,553	725	36,237
2000 activity .....	(3,557)	--	(16,344)	(250)	(20,151)
	-----	-----	-----	-----	-----
Balance at January 1, 2000 .	\$ 8,402	\$ --	\$ 7,209	\$ 475	\$ 16,086
	=====	=====	=====	=====	=====

Total severance and termination benefits as a result of the Restructuring Plan relate to approximately 280 employees, 223 of which have been terminated through January 2000. Total cash outlays related to the Restructuring Plan are expected to be approximately \$39.5 million, \$19.7 million of which was paid in the nine months ended January 1, 2000. The Company expects to substantially complete the implementation of the Restructuring Plan in fiscal 2000.



	Nine Months Ended	
	January 1, 2000	December 26, 1998
Income from operations:		
Wholesale	\$ 49,539	\$ 31,500
Retail	42,431	48,040
Licensing	106,199	86,900
	-----	-----
	198,169	166,440
Add: Cumulative effect of change in accounting principle before taxes	6,696	--
	-----	-----
	\$ 204,865	\$ 166,440
	=====	=====
	January 1, 2000	April 3, 1999
Segment assets:		
Wholesale	\$ 296,902	\$ 376,154
Retail	532,321	424,203
Licensing	82,663	73,389
Corporate	507,765	230,838
	-----	-----
	\$1,419,651	\$1,104,584
	=====	=====

A substantial portion of the Company's net revenues and income from operations are derived from, and identifiable assets are located in, the United States.

#### 6 Borrowings

On November 22, 1999, the Company issued euro 275.0 million of 6.125 per cent Notes (the "Eurobonds") due November 2006 (the "Eurobond Offering"). The Eurobonds are listed on the London Stock Exchange. The net proceeds from the Eurobond Offering were \$274.4 million based on current exchange rates. A portion of the net proceeds from the issuance was used to pay down existing debt under the Company's credit facilities while the remaining proceeds were used to complete the acquisition discussed in Note 7 below. Interest on the Eurobonds is payable annually.

## 7 Subsequent Events

On January 6, 2000, the Company completed the acquisition of stock and certain assets of Poloco S.A.S. and certain of its affiliates ("Poloco"), which hold licenses to sell in Europe men's and boys' Polo apparel, the men's and women's Polo Jeans business, and certain Polo accessories. In addition to the wholesale business, included in the acquisition is a Polo store in Paris and six outlet stores located in France, the United Kingdom and Austria. Poloco had revenues of approximately \$180.0 million for calendar year 1998. The Company acquired Poloco for an aggregate cash consideration of approximately \$210.0 million, plus the assumption of approximately \$30 million in short-term debt. The Company used a portion of the net proceeds from the Eurobond Offering to finance this acquisition. The acquisition will be accounted for as a purchase from the effective date of the transaction.

On February 7, 2000, the Company announced the formation of Ralph Lauren Media, LLC ("RL Media"), a joint venture between the Company and NBC and certain affiliated companies. RL Media was created to bring the Company's American lifestyle experience to consumers via multiple media platforms, including the Internet, broadcast, cable and print. Under the 30-year joint venture agreement, RL Media will be owned 50% by the Company, 25% by NBC, 12.5% by ValueVision International, Inc. ("ValueVision"), 10% by NBC Internet, Inc. ("NBCi") and 2.5% by CNBC.com. In exchange for its 50% interest, the Company will provide marketing through its annual print advertising campaign, make its merchandise available at initial cost of inventory, provide customer service via its full-price retail stores and handle excess inventory through its outlet stores. NBC will contribute \$110.0 million of television and online advertising on NBC and CNBC.com properties. NBCi will contribute \$40.0 million in online distribution and promotion and ValueVision will contribute a cash funding commitment up to \$50.0 million. Under the arrangement, the Company will not absorb any losses from the joint venture up to the first \$50.0 million incurred and will share proportionately in the net income or losses thereafter. Additionally, the Company will receive a royalty on the sale of its products by RL Media based on specified percentages of net sales over a predetermined threshold, subject to certain limitations. RL Media's managing board will have equal representation from the Company and NBC, including its affiliated companies.

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. The Company utilizes a 52-53 week fiscal year ending on the Saturday nearest March 31. Fiscal years 2000 and 1999 end on April 1, 2000 and April 3, 1999, 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 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 authorized personnel constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current expectations and are indicated by words or phrases such as "anticipate," "estimate," "project," "we believe," "is or remains optimistic," "currently envisions" and similar words or phrases and involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements 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: risks associated with changes in the competitive marketplace, including the introduction of new products or pricing changes by the Company's competitors; changes in global economic conditions; risks associated with the Company's dependence on sales to a limited number of large department store customers, including 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; risks associated with competition in the segments of the fashion and consumer product industries in which the Company operates, including the Company's ability to shape, stimulate and respond to changing consumer tastes and demands by producing attractive products, brands and marketing, and its ability to remain competitive in the areas of quality and price; risks associated with uncertainty relating to the Company's ability to implement its growth strategies; risks associated with the Company's entry into new markets either through internal development activities or through acquisitions; risks associated with the ability of the Company or the Company's third party customers and suppliers and government agencies to timely and adequately remedy any Year 2000 issues; risks associated with the possible adverse impact of the Company's unaffiliated manufacturers' inability to manufacture

POLO RALPH LAUREN CORPORATION

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

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; risks related to the Company's ability to establish and protect its trademarks and other proprietary rights; risks related to fluctuations in foreign currency affecting the Company's foreign subsidiaries' and foreign licensees' results of operations and the relative prices at which the Company and foreign competitors sell their products in the same market and the Company's operating and manufacturing costs outside of the United States; and, risks associated with the Company's control by Lauren family members and the anti-takeover effect of multiple classes of stock. 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.

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. Licensing revenue includes royalties received from home collection licensing partners.

## Results of Operations

The following discussion provides information and analysis of the Company's results of operations for the three and nine months ended January 1, 2000 compared to December 26, 1998. The table below sets forth the percentage relationship to net revenues of certain items in the Company's statements of income for the three and nine months ended January 1, 2000 and December 26, 1998:

	Jan. 1, 2000		Dec. 26, 1998	
	Three Months	Nine Months	Three Months	Nine Months
Net sales .....	88.8%	87.9%	88.4%	87.1%
Licensing revenue .....	10.9	11.8	11.0	12.0
Other income .....	0.3	0.3	0.6	0.9
	-----	-----	-----	-----
Net revenues .....	100.0	100.0	100.0	100.0
	-----	-----	-----	-----
Gross profit .....	46.9	48.8	46.2	48.7
Selling, general and administrative expenses	35.6	35.0	36.4	35.7
	-----	-----	-----	-----
Income from operations .....	11.3	13.8	9.8	13.0
Interest expense .....	0.7	0.6	0.2	0.1
	-----	-----	-----	-----
Income before income taxes and change in accounting .....	10.6%	13.2%	9.6%	12.9%
	=====	=====	=====	=====

### Three Months Ended January 1, 2000 Compared to Three Months Ended December 26, 1998

Net Sales. Net sales increased 14.6% to \$453.0 million in the three months ended January 1, 2000 from \$395.4 million in the three months ended December 26, 1998. Wholesale net sales increased 3.1% to \$196.3 million in the three months ended January 1, 2000 from \$190.3 million in the corresponding period of fiscal 1999. Wholesale growth primarily reflects increased unit sales of existing Polo and Collection brand products offset by a decline in average selling prices resulting from changes in product mix and increased promotions. Retail sales increased by 25.2% to \$256.7 million in the three months ended January 1, 2000 from \$205.1 million in the corresponding period in fiscal 1999. This increase is primarily attributable to the \$65.0 million benefit from the following: (a) new store openings in fiscal 2000 (11 Polo full-price and 13 outlet stores, net of store closures); (b) new store openings in the second half of fiscal 1999; and (c) 70 Club Monaco stores acquired in the quarter ended July 3, 1999. Although the Company's stores remain highly productive, comparable store sales decreased by 8.1%. Comparable store sales, which represent net sales of stores open in both reporting periods for the full portion of such periods, declined due to a promotionally driven retail environment, an inadequate

supply of leading product categories and the effects of a mature and challenging outlet store environment. The Company anticipates that some of these factors affecting its retail operations will continue for the foreseeable future. At January 1, 2000, the Company operated 44 Polo full-price stores, 112 outlet stores and 72 Club Monaco stores.

Licensing Revenue. Licensing revenue increased 13.4% to \$55.7 million in the three months ended January 1, 2000 from \$49.2 million in the corresponding period of fiscal 1999. This increase is primarily attributable to overall increases in sales of existing licensed products, particularly Lauren, Polo Jeans and Chaps.

Gross Profit. Gross profit as a percentage of net revenues increased to 46.9% in the three months ended January 1, 2000 from 46.2% in the corresponding period of fiscal 1999. This increase was mainly attributable to a higher concentration of retail sales to net revenues in the current period as a result of the acquisition of Club Monaco in fiscal 2000.

Selling, General and Administrative Expenses. Selling, general and administrative ("SG&A") expenses as a percentage of net revenues decreased to 35.6% in the three months ended January 1, 2000 from 36.4% of net revenues in the corresponding period of fiscal 1999. This decrease in SG&A expenses as a percentage of net revenues was primarily due to expense leveraging achieved with the Company's revenue growth.

Interest Expense. Interest expense increased to \$3.4 million in the quarter ended January 1, 2000 from \$1.1 million in the comparable period in fiscal 1999. This increase was primarily due to a higher level of borrowings incurred to fund the acquisitions of Club Monaco and Poloco.

Nine Months Ended January 1, 2000 Compared to Nine Months Ended December 26, 1998

Net Sales. Net sales increased 17.2% to \$1.3 billion in the nine months ended January 1, 2000 from \$1.1 billion in the nine months ended December 26, 1998. Wholesale net sales increased 7.3% to \$637.5 million in the nine months ended January 1, 2000 from \$594.1 million in the corresponding period of fiscal 1999. Wholesale growth primarily reflects increased unit sales of existing Polo and Collection brand products and the timing of shipments to retailers. These unit increases were partially offset by a decline in average selling prices resulting from changes in product mix. Retail sales increased by 28.5% to \$670.5 million in the nine months ended January 1, 2000 from \$521.9 million in the corresponding period in fiscal 1999. This increase is primarily attributable to the \$172.9 million benefit from the following: (a) new store openings in fiscal 2000 (11 Polo full-price and 13 outlet stores, net of store closures); (b) new store openings in the second half of fiscal 1999; and (c) 70 Club Monaco stores acquired in the quarter ended July 3, 1999. Although the Company's stores remain highly productive, comparable store sales decreased by 5.4%. The decline was due to a promotionally driven retail environment, an inadequate supply of leading product categories and the effects of a mature and challenging outlet store environment.

Licensing Revenue. Licensing revenue increased 13.6% to \$174.9 million in the nine months ended January 1, 2000 from \$154.0 million in the corresponding period of fiscal 1999. This increase is primarily attributable to overall general increases in sales of existing licensed products, particularly Lauren, Polo Jeans and Home Collection.

Gross Profit. Gross profit as a percentage of net revenues increased slightly to 48.8% in the nine months ended January 1, 2000 from 48.7% in the corresponding period of fiscal 1999. This increase was mainly attributable to a higher concentration of retail sales to net revenues in the current period as a result of the acquisition of Club Monaco in fiscal 2000.

Selling, General and Administrative Expenses. SG&A expenses as a percentage of net revenues decreased to 35.0% in the nine months ended January 1, 2000 from 35.7% of net revenues in the corresponding period of fiscal 1999. This improvement in SG&A expenses as a percentage of net revenues was primarily due to expense leveraging achieved with the Company's revenue growth.

Interest Expense. Interest expense increased to \$9.6 million in the nine months ended January 1, 2000 from \$1.1 million in the comparable period in fiscal 1999. This increase was due to a higher level of borrowings incurred during the current period to fund the acquisitions of Club Monaco and Poloco.

#### 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 increased to \$233.8 million in the nine months ended January 1, 2000 from \$42.3 million in the comparable period in fiscal 1999. This improvement was driven by favorable changes in inventories as the Company implemented a strategic initiative in its fourth fiscal quarter of 1999 to reduce inventory levels and move excess product. This improvement was also impacted by favorable changes in accounts receivable and general expenses due to timing (i.e., customer remittances and vendor payments). Net cash used in investing activities decreased to \$100.9 million in the nine months ended January 1, 2000 from \$103.7 million in the comparable period in fiscal 1999. This decrease principally reflects a decline in capital expenditures in the nine months ended January 1, 2000. Net cash provided by financing activities increased to \$171.0 million in the nine months ended January 1, 2000 from \$23.7 million in the comparable period in fiscal 1999. This increase primarily reflects the proceeds received by the Company in connection with the Eurobond Offering offset by the use of a portion of these proceeds to repay outstanding indebtedness under the Credit Facilities.

On June 9, 1997, the Company entered into a credit facility with a syndicate of banks which provides for a \$225.0 million revolving line of credit available for the issuance of letters of credit, acceptances and direct borrowings and matures on December 31, 2002 (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 Eurodollar Rate plus an interest margin.

On March 30, 1999, in connection with the Company's acquisition of Club Monaco, the Company entered into a \$100.0 million senior credit facility (the "1999 Credit Facility") with a syndicate of banks consisting of a \$20.0 million revolving line of credit and an \$80.0 million term loan (the "Term Loan"). The revolving line of credit is available for working capital needs and general corporate purposes and matures on June 30, 2003. The Term Loan was used to finance the acquisition of all of the outstanding common stock of Club Monaco and to repay indebtedness of Club Monaco. The Term Loan is also repayable on June 30, 2003. Borrowings under the 1999 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 Eurodollar Rate plus an interest margin. In April 1999, the Company entered into interest rate swap agreements with an aggregate notional amount of \$100.0 million to convert the variable interest rate on the 1999 Credit Facility to a fixed rate of 5.5%.

The Credit Facility and 1999 Credit Facility (collectively, the "Credit Facilities") contain customary representations, warranties, covenants and events of default, including covenants regarding maintenance of net worth and leverage ratios, limitations on indebtedness, loans, investments and incurrences of liens, and restrictions on sales of assets and transactions with affiliates. Additionally, the Credit Facilities provide 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.

On November 22, 1999, the Company issued euro 275.0 million of 6.125 per cent Notes (the "Eurobonds") due November 2006 (the "Eurobond Offering"). The Eurobonds are listed on the London Stock Exchange. The net proceeds from the Eurobond Offering were \$274.4 million based on current exchange rates. A portion of the net proceeds from the issuance was used to pay down existing debt under the Company's Credit Facilities while the remaining proceeds were used to complete the acquisition of Poloco, as discussed further below. Interest on the Eurobonds is payable annually.

As of January 1, 2000, the Company had \$25.0 million outstanding in direct borrowings and \$80.0 million outstanding under the Term Loan and was contingently liable for \$32.9 million in outstanding letters of credit under the Credit Facilities. Additionally, the Company had \$276.7 million outstanding in Eurobonds. The weighted average interest rate on outstanding borrowings was 6.0% at January 1, 2000.

Capital expenditures were \$88.6 million and \$95.0 million in the nine months ended January 1, 2000 and December 26, 1998, respectively. Capital expenditures primarily reflect costs associated with the following: (i) the Company's expansion of its distribution facilities; (ii) the shop-within-shops development program which includes new shops, renovations and expansions; (iii) the expansion of the Company's retail concept and outlet stores; and (iv) the Company's information systems. The Company plans to invest approximately \$130.0 million, net of landlord incentives, over the current fiscal year for the aforementioned projects and other capital projects.

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 January 1, 2000, the Company had repurchased 1,711,177 shares of its Class A Common Stock at an aggregate cost of \$36.8 million.

On January 6, 2000, the Company completed the acquisition of stock and certain assets of Poloco S.A.S. and certain of its affiliates ("Poloco"), which hold licenses to sell in Europe men's and boys' Polo apparel, the men's and women's Polo Jeans business, and certain Polo accessories. In addition to the wholesale business, included in the acquisition is a Polo store in Paris and six outlet stores located in France, the United Kingdom and Austria. Poloco had revenues of approximately \$180.0 million for calendar year 1998. The acquisition is expected to be accretive to earnings beginning in fiscal year 2001. The Company acquired Poloco for an aggregate cash consideration of approximately \$210.0 million, plus the assumption of approximately \$30.0 million in short-term debt. The Company used a portion of the net proceeds from the Eurobond Offering to finance this acquisition.

On February 7, 2000, the Company announced the formation of Ralph Lauren Media, LLC ("RL Media"), a joint venture between the Company and NBC and certain affiliated companies. RL Media was created to bring the Company's American lifestyle experience to consumers via multiple media platforms, including the Internet, broadcast, cable and print. Under the 30-year joint venture agreement, RL Media will be owned 50% by the Company, 25% by NBC, 12.5% by ValueVision International, Inc. ("ValueVision"), 10% by NBC Internet, Inc. ("NBCi") and 2.5% by CNBC.com. In exchange for its 50% interest, the Company will provide marketing through its annual print advertising campaign, make its merchandise available at initial cost of inventory, provide customer service via its full-price retail stores and handle excess inventory through its outlet stores. NBC will contribute \$110.0 million of television and online advertising on NBC and CNBC.com properties. NBCi will contribute \$40.0 million in online distribution and promotion and ValueVision will contribute a cash funding commitment up to \$50.0 million. Under the arrangement, the Company will not absorb any losses from the joint venture up to the first \$50.0 million incurred and will share proportionately in the net income or losses thereafter. Additionally, the Company will receive a royalty on the sale of its products by RL Media based on specified percentages of net sales over a predetermined threshold, subject to certain limitations. RL Media's managing board will have equal representation from the Company and NBC, including its affiliated companies.

Management believes that cash from ongoing operations and funds available under the Credit Facilities and from the Eurobond Offering will be sufficient to satisfy the Company's current level of operations, the Restructuring Plan, capital requirements, stock repurchase program, the acquisition of Poloco and other corporate activities for the next 12 months. Additionally, the Company does not currently intend to pay dividends on its Common Stock in the next 12 months.

#### 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 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 U.S. dollars; however, purchase prices for the Company's products may be affected by fluctuations in the exchange rate between the U.S. 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 and the results of operations of foreign subsidiaries 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 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 is effective for the Company's first quarter of fiscal year ending March 30, 2002 and retroactive application is not permitted. The Company has not yet determined whether the application of SFAS No. 133 will have a material impact on the Company's financial position or results of operations.

## Year 2000 Compliance Update

The Company has reviewed its operations relating to Year 2000 issues. Remediation and testing are complete for both information technology ("IT") and non-IT systems that required attention and resources to be Year 2000 compliant. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 issue that may affect the Company, including those relating to third parties with whom the Company has material business relationships (such as customers, licensees, transportation carriers, utility and other general service providers), have been resolved. To date, the Company has not experienced any significant disruptions in its operations relating to Year 2000 issues. The Company has a contingency plan in place to mitigate the potential effects, if any, that may arise.

The costs to address the Company's Year 2000 issues were approximately \$5.3 million. Substantially all of these costs had been incurred as of January 1, 2000.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

The Company is a defendant in a purported national class action lawsuit filed in the Delaware Supreme Court in July 1997. The plaintiff has brought the action allegedly on behalf of a class of persons who purchased products at the Company's outlet stores throughout the United States at any time since July 15, 1991. The complaint alleges that advertising and marketing practices used by the Company in connection with the sales of its products at its outlet stores violate guidelines established by the Federal Trade Commission and the consumer protection statutes of Delaware and other states with statutes similar to Delaware's Consumer Fraud Act and Delaware's Consumer Contracts Act. The lawsuit seeks, on behalf of the class, compensatory and punitive damages as well as attorneys' fees. The Company answered the complaint and filed a motion for judgment on the pleadings. At a hearing on that motion on March 5, 1999, the Court ruled that the plaintiff must file an amended complaint within 30 days in order to avoid dismissal. The plaintiff filed an amended complaint, essentially containing the same allegations as the initial complaint, which the Company answered on April 26, 1999. On August 5, 1999, the Company again filed a motion for judgment on the pleadings and, on September 3, 1999, the plaintiff filed a brief in opposition to such motion for judgment. On November 19, 1999, the Company and the plaintiff entered into a Stipulation and Agreement of Compromise, Settlement and Agreement, none of the provisions of which are expected to have a material adverse impact on the business and financial condition of the Company. By February 1, 2000, notice of the settlement was published in a publication of national circulation and mailed to persons listed on the Company's outlet customer list. A hearing will be held on April 18, 2000 to determine the fairness of the settlement to class members and to approve the settlement.

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

See the sections entitled "Liquidity and Capital Resources" and "Exchange Rates" in Item 2 above, which sections are incorporated herein by reference.

### ITEM 5. OTHER INFORMATION.

On November 22, 1999, the Company issued euro 275 million of 6.125 per cent Notes due November 2006. The Eurobonds were offered outside the United States in reliance on Regulation S under the Securities Act of 1933, as amended, through a group of managers led by Goldman Sachs International. The Eurobonds are listed on the London Stock Exchange.

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

(a) Exhibits--

10.1 Fiscal and Paying Agency Agreement dated November 22, 1999 among Polo Ralph Lauren Corporation, its subsidiary guarantors and The Bank of New York, as fiscal and principal paying agent.

27.1 Financial Data Schedule

(b) Reports on Form 8-K--

The Company filed one current report on Form 8-K on January 10, 2000 with respect to Item 2 - Acquisition or Disposition of Assets in connection with the stock and asset purchase by the Company of Poloco, S.A.S. and certain of its affiliates from S.A Louis Dreyfus et Cie, a company organized under the laws of France, on January 6, 2000.

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 15, 2000

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

FISCAL AND PAYING AGENCY AGREEMENT

THIS AGREEMENT ("Agreement"), dated as of November 22, 1999, among Polo Ralph Lauren Corporation, a corporation incorporated under the laws of the State of Delaware (the "Issuer"), each of the subsidiaries of the Issuer identified on Schedule I hereto and each additional subsidiary that is required from time to time to become a party hereto pursuant to Section 16 hereof (each a "Guarantor" and collectively, the "Guarantors"), The Bank of New York, acting through its office at One Canada Square, London E14 5AL, as fiscal and principal paying agent ("BONY" or any successor or additional fiscal and principal paying agent appointed hereunder being called the "Agent"). BONY, and/or any successor or additional paying agent appointed hereunder, is sometimes referred to herein individually as a "Paying Agent" and collectively as the "Paying Agents").

W I T N E S S E T H:

Section 1. Notes; Guarantees; Appointment of Agent. (a) The Issuer has authorized the creation and issue of euro 275,000,000 6.125 per cent unsecured, unsubordinated notes (the "Notes") due 2006.

(b) The Guarantors hereby agree, jointly and severally, to guarantee fully the Issuer's obligations under the Notes on an equal and ratable basis (collectively, the "Guarantees"), on the terms and subject to the conditions described herein, in the Guarantees and in the Notes.

(c) The Issuer and the Guarantors hereby (i) appoint the Agent to act, on the terms and conditions specified herein and in the Notes, as fiscal and principal paying agent for the Notes and any other Paying Agent to act on the terms and conditions specified herein and in the Notes, as paying agent for the Notes, and (ii) agree to all of the terms and conditions of the Notes (the "Terms and Conditions"), to which the rights of the Noteholders (as defined in Section 4(b) below) hereunder shall be subject.

Section 2. Amount; Execution. (a) The authorized aggregate principal amount of Notes which may be issued hereunder is euro 275,000,000.

(b) Each of the Temporary Global Note, the Permanent Global Note and the Definitive Notes, if any (each as defined in Section 4 below), shall be executed by or on behalf

of the Issuer by the manual or facsimile signature of an Authorized Representative (as defined in Section 3 hereof) of the Issuer and authenticated manually by or on behalf of the Agent.

(c) To evidence its guarantee of the payment of principal and interest and any Additional Amounts in respect of the Notes, each Guarantor shall execute a Guarantee, which shall be in substantially the form of Exhibit D hereto and shall be endorsed on each Note. Each Guarantor's execution of the Guarantee may be evidenced by a manual or facsimile signature of a duly authorized officer and may be imprinted or otherwise reproduced on the Guarantee, and for that purpose the Guarantor may adopt and use the facsimile signature of any such officer. Each Guarantee (including the payment of principal of, premium, if any, and interest and any Additional Amounts on the Notes) shall rank pari passu in right of payment with all other present and future unsecured and unsubordinated indebtedness of such Guarantor and shall rank senior in right of payment to all subordinated indebtedness of such Guarantor. In the event that any Guarantor is required, by the terms of its Guarantee, to make or cause to be made any payment in respect of the Notes, references to the Issuer in this Agreement (other than in Section 1(a)) shall be deemed to mean and include the Guarantor except where the context otherwise requires.

Section 3. Authorized Representatives. From time to time the Issuer and each Guarantor will furnish the Agent with a certificate of the Issuer or such Guarantor, as the case may be, certifying the incumbency and specimen signatures of officers authorized to execute Notes or Guarantees on behalf of the Issuer or such Guarantor, as the case may be (each an "Authorized Representative"). Until the Agent receives a subsequent incumbency certificate of the Issuer or such Guarantor, the Agent shall be entitled to rely on the last such certificate delivered to it for purposes of determining the Authorized Representatives. The Agent shall have no responsibility to the Issuer or the Guarantors to determine by whom or by what means a facsimile signature may have been affixed on the Notes, the interest coupons appertaining thereto (the "Coupons"), if any, or the Guarantees endorsed on such Notes or to determine whether any facsimile or manual signature is genuine, or if such facsimile or manual signature resembles the specimen signatures filed with the Agent by a duly authorized officer of the Issuer or such Guarantor. Any Note or Coupon or the Guarantee endorsed on such Note bearing the manual or facsimile signature of a person who is an Authorized Representative on the date such signature is affixed shall bind the Issuer or such Guarantor, as the case may be, after the authentication and delivery thereof by the Agent, notwithstanding that such



shall have ceased to hold office on the date such Note, with attached Coupons, if applicable, is authenticated and delivered by the Agent.

Section 4. Form of the Notes and Exchange of Notes. With regard to the issuance of Notes:

(a) The Temporary Global Note and Permanent Global Note: The Notes will initially be represented by a temporary global note (the "Temporary Global Note") substantially in the form of Exhibit A hereto. The Temporary Global Note will be exchangeable for interests in a permanent global note (the "Permanent Global Note") substantially in the form of Exhibit B hereto as set out in the terms of the Temporary Global Note. Immediately before issue, the Issuer shall deliver to the Agent, and the Agent (or its agent on its behalf) shall authenticate, the duly executed Temporary Global Note. The Agent shall then deliver the Temporary Global Note upon written instruction of the Issuer to a common depository for Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear"), and Cedelbank.

(b) The Definitive Notes: At any time on or after the Exchange Date (as defined in Section 4(c)), the Permanent Global Note will become exchangeable in whole, but not in part (free of charge to the holder), for Notes in definitive form (the "Definitive Notes") in the denominations of euro 1,000, euro 10,000 and euro 100,000 (i) at any time upon request of any holder thereof (a "Noteholder"), including any person who is from time to time shown in the records of Euroclear or Cedelbank as the holder of a particular principal amount of such Notes (an "Accountholder"), upon at least 60 days' prior written notice to the Agent specifying a Definitive Exchange Date (as defined below) or (ii) if the Issuer would suffer a material disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear and/or Cedelbank which would not be suffered were the Notes in definitive form and a certificate to such effect signed by two duly Authorized Representatives of the Issuer is given to the Agent. Thereupon (in the case of (ii) above) the Issuer may give notice to the Agent and the Noteholders of its intention to exchange the Permanent Global Note for Definitive Notes on the Definitive Exchange Date.

On any Definitive Exchange Date, the Permanent Global Note shall be surrendered to or to the order of the Agent. In exchange for the Permanent Global Note, the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of Definitive

Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in this Agreement. On exchange of the Permanent Global Note, the Issuer will ensure that it is canceled. From and after such time as Definitive Notes are issued in exchange for the Permanent Global Note, any remaining interest in the Temporary Global Note will be exchangeable only for Definitive Notes, but only upon presentation to the Agent of a certificate or certificates in substantially the form set forth in Exhibit E hereto of Euroclear or Cedelbank, with respect to the Temporary Global Note or portions thereof being exchanged, to the effect that it has received in writing or by tested telex a certification or certifications in substantially the form set forth in Exhibit F hereto signed by the person appearing in its records as the owner of the Temporary Global Note or portions thereof being exchanged. No Definitive Notes delivered in exchange for the Permanent Global Note or Temporary Global Note will be mailed or otherwise delivered to any location in the United States or its possessions in connection with such exchange.

If Definitive Notes have not been delivered by 5:00 p.m. (London time) on the Definitive Exchange Date, then at 5:00 p.m. (London time) on the Definitive Exchange Date, the holder(s) of the Permanent Global Note will cease to have any rights thereunder, and Accountholders will acquire directly against the Issuer all those rights that they would have had if they had been the holders of Definitive Notes in an aggregate principal amount equal to the amount of Notes they were shown as holding on the records of Euroclear and/or Cedelbank.

"Definitive Exchange Date" means a day specified in the notice requiring exchange falling not less than 60 days after that date on which such notice is given and on which date banks are open for business in London and in the city in which the relevant clearing system is located.

Each Definitive Note will be in substantially the form set out in Exhibit C-1 hereto, will have attached to it Coupons in substantially the form set out in Exhibit C-2 hereto, and will be security printed in accordance with applicable legal and stock exchange requirements. The Notes will be endorsed with the Terms and Conditions.

(c) Exchange of Temporary Global Note for the Permanent Global Note: At least 14 days before the Exchange Date (as defined below), the Issuer will execute and deliver to the London office of the Agent the Permanent Global Note. On and after the Exchange Date,

the Temporary Global Note may be surrendered to the Agent at such office to be exchanged, as a whole or in part, for interests in the Permanent Global Note without charge, and the Agent shall authenticate and deliver, in exchange for such Temporary Global Note or the portions thereof to be exchanged, an equal aggregate principal amount of the Permanent Global Note, but only upon presentation to the Agent of a certificate or certificates in substantially the form set forth in Exhibit E hereto of Euroclear and/or Cedelbank, with respect to the Temporary Global Note or portions thereof being exchanged, to the effect that it has received in writing or by tested telex a certification or certifications in substantially the form set forth in Exhibit F hereto signed by the person appearing in its records as the owner of the Temporary Global Note or portions thereof being exchanged. "Exchange Date" means the date which is 40 days after the closing date for the sale of such Notes. On exchange in part of the Temporary Global Note, the principal amount of the Temporary Global Note so exchanged shall be endorsed by or on behalf of the Agent in accordance with the terms of the Temporary Global Note. Until so exchanged in full the holders of interests in the Temporary Global Note shall in all respects be entitled to the same benefits under this Agreement as the holders of interests in the Permanent Global Note and the holders of the Definitive Notes authenticated and delivered hereunder, except that neither the holder nor the beneficial owners of the Temporary Global Note shall be entitled to receive any payments of principal or interest, including Additional Amounts (as defined in, and payable pursuant to, Section 4 of the Terms and Conditions), if any, on the Temporary Global Note except (i) as provided in Section 7(i), or (ii) if, upon due certification, exchange of the Temporary Global Note is improperly refused or withheld.

Section 5. Reliance on Instructions. No Paying Agent shall incur any liability to the Issuer in acting hereunder pursuant to instructions which such Paying Agent believed in good faith to have been given by an Authorized Representative.

Section 6. Issuer's and Guarantors' Representations and Warranties. Each Paying Agent is entitled to assume that;

(i) the issuance and delivery of the Notes by the Issuer have been duly and validly authorized by the Issuer;

(ii) the execution and delivery of the Guarantees by the respective Guarantors have, in each case, been duly and validly authorized by each Guarantor;

(iii) the Notes, when completed, authenticated, issued and delivered pursuant hereto, will constitute the legal, valid and binding obligations of the Issuer; and

(iv) upon the due authorization, issuance and delivery of the Notes and the due endorsement of the Guarantees thereon, the Guarantees will constitute the legal valid and binding obligations of the Guarantors.

Section 7. Payments; Interest Payment Dates; Record Dates.

(a) Payment to Agent: The Issuer will, on each date on which any payment in respect of the Notes becomes due, transfer to the Agent by 10:00 a.m. London time such amount as may be required for the purposes of such payment. The Issuer will procure the delivery to the Agent by 10:00 a.m. (London time) on the second business day in London before the due date for any such payment a copy of irrevocable instructions issued by it for such payment to be made to the Agent. In this Clause, the date on which a payment in respect of the Notes becomes due means the first date on which the holder of a Note or Coupon could claim the relevant payment but disregarding the necessity for it to be a business day in any particular place of presentation.

(b) Notification of Non-payment: The Agent will forthwith notify by telex or facsimile each other Paying Agent, if any, and the Issuer if it has not by 10:00 a.m. London time on the due date for any payment due in respect of the Notes received the full amount so payable on such date.

(c) Payment by Paying Agents: Each Paying Agent will, subject to the Agent's receipt of monies therefor from the Issuer and subject to and in accordance with the Terms and Conditions, pay or cause to be paid on behalf of the Issuer on and after each due date therefor the amounts due in respect of the Notes and Coupons and, in the case of each Paying Agent other than the Agent, will be entitled to claim any amounts so paid from the Agent. If any payment provided for in sub-Clause (a) is made late but otherwise in accordance with this Agreement, the Paying Agents may nevertheless make payments in respect of the Notes and Coupons. However, unless and until the full amount of any such payment has been made to the Agent, the Paying Agents will not be bound to make such payments.

(d) Reimbursement of Paying Agents: The Agent will, subject to receipt of monies therefor from the Issuer, on demand promptly reimburse each other Paying Agent, if

any, for payments in respect of the Notes and Coupons properly made by it in accordance with the Notes and this Agreement.

(e) Late Payment: If the Agent has not by the due date for any payment in respect of the Notes received the full amount payable on such date but receives it later, it will forthwith give notice to each other Paying Agent and Noteholders that it has received such full amount.

(f) Method of Payment to Agent: Unless otherwise provided in the Notes, all sums payable to the Agent hereunder will be paid in euro and in immediately available funds to such account with such bank as the Agent may from time to time notify to the Issuer.

(g) Moneys Held by Agent: The Agent may deal with moneys paid to it under this Agreement in the same manner as other moneys paid to it as a banker by its customers except that (1) it may not exercise any lien, right of set-off or similar claim in respect of them and (2) it shall not be liable to anyone for interest on any sums held by it under this Agreement. Any monies paid by the Issuer to the Agent for payment of principal or interest which remain unclaimed for two years after such monies have become due and payable will be repaid to the Issuer upon its written request and the Noteholder may thereafter look only to the Issuer for payment thereof.

(h) Partial Payments: If on presentation of a Note or Coupon only part of the amount payable in respect of it is paid (except as a result of deduction of tax as permitted by the Terms and Conditions) the Paying Agent to whom the Note or Coupon is presented shall procure that such Note or Coupons shall have attached to it a memorandum of the amount paid and the date of payment.

(i) Payments on the Temporary Global Note: Prior to the Exchange Date, payments in respect of the Notes shall be made only with respect to that portion of the Temporary Global Note for which the Agent has received the certificates referred to in Section 4(c). In the event that the due date for any payment in respect of the Notes shall occur at a time when any portion of the principal amount of the Temporary Global Note has not been exchanged for interests in the Permanent Global Note, payments of principal of, and interest (including Additional Amounts (if any)), on that portion of the principal amount of the Temporary Global Note which has not been exchanged for interests in the Permanent Global Note shall be transferred by the Issuer to the Agent in accordance with Section 7(a) and shall be held by the

Agent for payment in respect of the Notes upon such exchange or, prior to the Exchange Date, upon presentation to the Agent of the certificates referred to in Section 4(c).

(j) Amounts to be Deducted or Withheld: At least five business days prior to the first payment date (and at least five business days prior to each succeeding payment date if there has been any change with respect to the matters set forth in any certificate required to be delivered hereunder) the Issuer will furnish to the Agent and each Paying Agent a certificate of an Authorized Representative of the Issuer specifying the amount required to be deducted or withheld in the United States on the payments of principal and interest due on such payment date for or on account of any taxes, assessments or other governmental charges described in Section 4 of the Terms and Conditions and certifying that such amount will be deducted or withheld and paid by the Issuer. The Issuer will provide the Agent with such evidence as the Agent may require of the Issuer's compliance with the foregoing requirement to pay. The Issuer will indemnify each of the Agent and each Paying Agent for, and hold it harmless against, any loss, liability or expense incurred without negligence, bad faith or willful misconduct on its part, arising out of or in connection with actions taken or omitted by it in reliance on any certificate furnished pursuant to this paragraph or the failure to furnish such a certificate. The obligations of the Issuer under this paragraph will survive the payment of the Notes and the resignation or removal of the Agent or any Paying Agent and the termination of this Agreement.

Section 8. Duties of the Agent. In accordance with the Terms and Conditions and this Agreement or if otherwise requested by the Issuer, the Agent will:

(a) receive requests to effect exchanges of the Permanent Global Note to Definitive Notes;

(b) maintain a record of the Temporary Global Note, the Permanent Global Note and the certificate number or numbers of all Definitive Notes and Coupons delivered hereunder;

(c) carry out such other acts as may be necessary to give effect to the Terms and Conditions with respect to payment, transfer, cancellation and replacement (if any Note or Coupon is mutilated or defaced or is apparently destroyed, lost or stolen, it may be replaced at the specified office of any Paying Agent subject to all applicable laws and stock exchange requirements upon payment by the claimant of the expenses incurred in connection therewith

and on such terms and with such indemnity as the Issuer and the Agent may require; mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued); and

(d) upon and in accordance with the written instructions of the Issuer received at least 15 days before the proposed publication date, arrange for the publication of any notice delivered to the Agent by the Issuer which is to be given to the Noteholders and supply a copy thereof to each other Paying Agent, Euroclear, Cedelbank and, so long as the Notes are listed thereon, the London Stock Exchange.

Section 9. Liability. None of the Agent, the other Paying Agents, if any, or any of their respective officers or employees shall be liable for any act or omission hereunder except in the case of its gross negligence or willful misconduct. The duties and obligations of each of the Agent, the other Paying Agents, if any, and each of their respective officers and employees shall be determined by the express provisions of this Agreement and each shall not be liable except for the performance of such duties and obligations as are specifically set forth herein in respect of such person and no implied covenants shall be read into this Agreement against any of them. Each of the Agent and the Paying Agents may consult with counsel and shall be fully protected in any action reasonably taken in good faith in accordance with the advice of counsel. None of the Agent, the other Paying Agents, if any, nor any of their respective officers or employees shall be required to ascertain whether any issuance or sale of Notes (or any amendment or termination of this Agreement) have been duly authorized or are in compliance with any other agreement to which the Issuer is a party (whether or not the Paying Agents are also a party to such other agreement).

#### Section 10. Protection of Agent.

(a) No provision of this Agreement shall require the Agent or any Paying Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties, or in the exercise of its rights and powers, hereunder.

(b) In acting hereunder and in connection with the Notes each of the Agent and each Paying Agent shall act solely as an agent of the Issuer and will not thereby assume any obligations towards, or relationship of agency or trust for, any of the Noteholders.

(c) Each of the Agent and each Paying Agent may consult with legal or other professional advisers satisfactory to it, and the opinion of such advisers shall be full and

complete protection in respect of any action taken, omitted or suffered hereunder in good faith and in accordance with the opinion of such advisers.

(d) Each of the Agent and each Paying Agent shall be protected and shall incur no liability for or in respect of any action taken, omitted or suffered in reliance upon any instruction, request or order from the Issuer, or any Note, form of transfer, resolution, direction, consent, certificate, affidavit, statement, telex, facsimile transmission or other paper or document believed by it in good faith to be genuine and to have been delivered, signed or sent by the proper party or parties.

(e) Each of the Agent and each Paying Agent shall not be under any obligation to take any action hereunder which it expects will result in any expense or liability of the Agent or the Paying Agent, as the case may be, the payment of which within a reasonable time is not, in its good faith opinion, assured to it.

(f) Each of the Agent and each Paying Agent shall not be responsible for any act done or omitted in connection herewith or therewith, except in the case of its gross negligence or willful misconduct.

(g) Each of the Agent and each Paying Agent may perform the services required to be rendered by it hereunder either directly or through attorneys-in-fact or agents not regularly in its employ and the Agent and each Paying Agent, as the case may be, shall not be responsible or liable for any misconduct or negligence on the part of any such attorney or agent appointed by it with due care hereunder.

(h) Each of the Agent and each Paying Agent shall not be liable for any action taken, suffered or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Agreement; and

(i) Each of the Agent and each Paying Agent shall not have any duty or responsibility in the event of any default by the Issuer in the payment or performance of any of the Issuer's obligations under this Agreement, the Notes or any other agreement pertaining to any or all of the foregoing (including, but not limited to, any duty or responsibility to accelerate all or any of the Notes or to initiate or attempt to initiate any proceedings at law or otherwise or to make any demand for the payment thereof upon the Issuer.

Section 11. Indemnification by Issuer. The Issuer and the Guarantors, jointly and severally, agree to indemnify and hold harmless, each of the Agent, each Paying Agent and each of its respective directors, officers, employees and agents from and against any and all liabilities (including liability for penalties), losses, claims, damages, actions, suits, judgments, demands, costs and expenses (including legal fees and expenses) relating to or arising out of or in connection with its performance under this Agreement, except to the extent caused by the gross negligence or willful misconduct of such Agent or Paying Agent, as the case may be, or its directors, officers or employees. The foregoing indemnity includes, but is not limited to, any action taken or omitted in good faith within the scope of this Agreement upon telephone, telecopier or other electronically transmitted instructions, if authorized herein, received from or believed by the Agent or the Paying Agent, as the case may be, in good faith to have been given by, an Authorized Representative. This indemnity shall survive the resignation or removal of the Agent or any Paying Agent and the satisfaction or termination of this Agreement and the payment of the Notes and Coupons.

Section 12. Compensation of the Paying Agents. The Issuer and the Guarantors, jointly and severally, agree to pay the compensation of the Agent and each Paying Agent at such rates as shall be agreed upon in writing from time to time between such Agent or Paying Agent, as the case may be, and the Issuer, and to reimburse the Agent and each Paying Agent for its out-of-pocket expenses (including costs of preparation of the Notes and legal fees and expenses), disbursements and advances incurred or made in accordance with any provisions of this Agreement. The obligations of the Issuer and the Guarantors to the Agent and each Paying Agent pursuant to this Section shall survive the resignation or removal of the Agent or any Paying Agent and the satisfaction or termination of this Agreement and the payment of the Notes and Coupons.

Section 13. Meetings of the Noteholders. Attached hereto as Exhibit G are the provisions for meetings of the Noteholders (each, a "Meeting"). A Paying Agent shall, at the request of any Noteholder, issue Voting Certificates and Block Voting Instructions in a form and manner which comply with the provisions of Exhibit G (Provisions for Meetings of the Noteholders) (except that it shall not be required to issue the same less than 48 hours before the time fixed for any Meeting provided for therein). Such Paying Agent shall keep a full record of Voting Certificates and Block Voting Instructions issued by it and shall give to the Issuer, not

less than 24 hours before the time appointed for any Meeting, full particulars of all Voting Certificates and Block Voting Instructions issued by it in respect of such Meeting.

Section 14. Notices. (a) All communications by or on behalf of the Issuer or the Guarantors relating to the issuance, transfer, exchange or payment of Notes or interest thereon shall be in writing and directed to the Agent at its address set forth in subsection (b)(ii) hereof (or such other address as the Agent shall specify in writing to the Issuer from time to time).

(b) Notices and other communications hereunder shall (except to the extent otherwise expressly provided) be in writing and shall be addressed as follows, or to such other addresses as the parties hereto shall specify from time to time:

(i) if to the Issuer or the Guarantors:  
c/o Polo Ralph Lauren Corporation  
650 Madison Avenue  
New York, NY 10022  
Attention: General Counsel  
Fax no.: (212) 318-7183

(ii) if to the Agent:  
The Bank of New York  
One Canada Square  
London E14 5AL  
Attention: Trevor Blewer  
Telex no.: 011 44-171-883-265/6  
Fax no.: 011 44-171-893-6399

Section 15. Resignation or Removal of Agent or a Paying Agent. The Agent may at any time resign as such agent or a Paying Agent may at any time resign as such paying agent by giving written notice to the Issuer of such intention on its part, specifying the date on which its desired resignation shall become effective; provided, however, that such date shall be not less than 30 days after the giving of such notice by the Agent or a Paying Agent, as the case may be, to the Issuer. The Agent or a Paying Agent may be removed at any time by the filing with it of an instrument in writing signed by a duly Authorized Representative of the Issuer and specifying such removal and the date upon which it is intended to become effective. Such registration or removal shall take effect on the date of the appointment by the Issuer of a successor agent or paying agent and the acceptance of such appointment by such successor Agent or Paying Agent. In the event of resignation by the Agent or a Paying Agent, if a

successor agent or paying agent has not been appointed by the Issuer on or before the effective date of such resignation, the Agent or such Paying Agent may, at the expense of the Issuer, petition any court of competent jurisdiction for appointment of a successor Agent or Paying Agent. The Issuer may appoint a successor agent and additional or successor paying agents and shall forthwith give notice of any such appointment to the Agent, if continuing, and each continuing Paying Agent and the Noteholders, whereupon the Issuer, the continuing Agent and each continuing Paying Agent and the additional or successor agent or paying agent shall acquire and become subject to the same rights and obligations between themselves as if they had entered into an agreement in the form mutatis mutandis of this Agreement.

Section 16. Benefit of Agreement; Additional Guarantors. This Agreement is solely for the benefit of the parties hereto, their successors, assigns and any additional or successor Agent or Paying Agent appointed in accordance with Section 15 above and the holders from time to time of the Notes and no other person shall acquire or have any right under or by virtue hereof. The Issuer will cause each of its subsidiaries that is required from time to time following the date hereof to be a guarantor in respect of the Credit Facilities (as defined below) to (i) execute and deliver an instrument in form and substance satisfactory to the Agent agreeing to become a party to this Agreement as an additional Guarantor, (ii) execute and deliver a Guarantee pursuant to which such Guarantor will guarantee the Issuer's obligations under the Notes on the terms and conditions set forth herein, in the Notes and in such Guarantee, and (iii) deliver an opinion of counsel to the effect that each of this Agreement and such Guarantee has been duly authorized and executed by such subsidiary and constitutes the legal, valid and binding obligation of such subsidiary. The "Credit Facilities" means the 1997 Credit Facility and the 1999 Credit Facility, each by and among the Issuer, The Chase Manhattan Bank, as agent, and other financial institutions, each as in effect of the date hereof, and as each such agreement may be amended, renewed, extended, substituted, refinanced, replaced, supplemented or otherwise modified from time to time. The "1997 Credit Facility" means the Company's \$225.0 million revolving line of credit, and the "1999 Credit Facility" means the Company's \$100.0 million senior credit facility consisting of a \$20.0 million revolving line of credit and an \$80.0 million term loan.

Section 17. Notes Held by a Paying Agent. Each of the Agent and each Paying Agent, in its individual or other capacity, may become the owner or pledgee of the Notes with the same rights it would have if it were not acting as Agent or Paying Agent hereunder and may

engage or be interested in any financial or other transaction with the Issuer and may act on, or as a depository, trustee or agent for, any committee or body of holders of Notes or other obligations of the Issuer as freely as if it were not appointed hereunder.

Section 18. Consolidation, Merger or Transfer. The Issuer may (or may cause a Guarantor to), without the consent of the Noteholders, merge or consolidate with any other corporation or dispose of all or substantially all of its assets to any other corporation, provided that the successor corporation assumes all obligations of the Issuer under the Notes and this Agreement (or, with respect to a Guarantor, all of the obligations under such Guarantee) and certain other conditions set forth in the Terms and Conditions are met.

Section 19. Counterparts. This Agreement may be executed by the parties hereto in any number of counterparts, and by each of the parties hereto in separate counterparts, each such counterpart, when so executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 20. Governing Law. This Agreement is to be delivered and performed in, and shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of New York.

Section 21. Submission to NY Jurisdiction. Each of the parties to this Agreement hereby irrevocably submits to the non-exclusive jurisdiction of any New York State or United States Federal court sitting in New York City, the Borough of Manhattan over any suit, action or proceeding arising out of or relating to this Agreement or the Notes. Each of the parties hereto irrevocably waives, to the fullest extent permitted by law, any objection which it may have to the laying of the venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum. As long as any of the Notes or any of the Coupons appertaining thereto remain outstanding, the Issuer and the Guarantors will at all times have either a registered office or an authorized agent in New York City, at which or upon whom process may be served in any suit, action or proceeding arising out of or relating to this Agreement or any Note or any of the Coupons appertaining thereto. Service of process at such office or upon such agent and written notice of such service mailed or delivered to the Issuer and the Guarantors shall to the extent permitted by law be deemed in every respect effective service of process upon the Issuer and the Guarantors in any such suit, action or proceeding.

Section 22. Modification of Fiscal Agency Agreement and Notes. This Agreement, the Terms and Conditions or the Guarantees may be amended by the Issuer and the Agent, without the consent of the holder of any Note or Coupon, for the purposes of curing any ambiguity, or of curing, correcting or supplementing any defective provisions contained herein or therein or in any other manner which the Issuer may deem necessary or desirable and which will not be inconsistent with the Notes or any Coupons and which will not adversely affect the interests of the holders of Notes or any Coupons.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on their behalf by their officers thereunto duly authorized, all as of the day and year first above written.

Issuer:

Polo Ralph Lauren Corporation

By: \_\_\_\_\_

Guarantors:

The Ralph Lauren Womenswear Company, L.P.

By: Polo Ralph Lauren Womenswear, Inc., its  
General Partner

By: \_\_\_\_\_

Name:

Title:

Polo Retail, LLC

By: Fashions Outlet of America, Inc., its sole  
Member

By: \_\_\_\_\_

Name:

Title:

Fashions Outlet of America, Inc.

By: \_\_\_\_\_

Name:

Title:

The Polo/Lauren Company, L.P.

By: PRL International, Inc., its  
General Partner

By: \_\_\_\_\_  
Name:  
Title:

PRL International, Inc.

By: \_\_\_\_\_  
Name:  
Title:

RL Fragrances, LLC

By: PRL International, Inc., its sole  
Member

By: \_\_\_\_\_  
Name:  
Title:

PRL USA Holdings, Inc.

By: \_\_\_\_\_  
Name:  
Title:

PRL Fashions, Inc.

By: \_\_\_\_\_  
Name:  
Title:

PRL USA, Inc.

By: \_\_\_\_\_  
Name:  
Title:

Ralph Lauren Home Collection, Inc.

By: \_\_\_\_\_  
Name:  
Title:

PRL Financial Corporation

By: \_\_\_\_\_  
Name:  
Title:

Agent:

The Bank of New York,  
as Fiscal Agent

By: \_\_\_\_\_  
Name:  
Title:

Guarantors

The Ralph Lauren Womenswear Company, L.P., a Delaware limited partnership  
Polo Retail, LLC, a Delaware limited liability company  
Fashions Outlet of America, Inc., a Delaware corporation  
The Polo/Lauren Company, L.P., a New York limited partnership  
PRL International, Inc., a Delaware corporation  
RL Fragrances, LLC, a Delaware limited liability company  
PRL USA Holdings, Inc., a Delaware corporation  
PRL Fashions, Inc., a Delaware corporation  
PRL USA, Inc., a Delaware corporation  
Ralph Lauren Home Collection, Inc., a Delaware corporation  
PRL Financial Corporation, a Delaware corporation

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