

December 13, 1996

Securities and Exchange Commission
Washington, D.C. 20549

Gentlemen:

Pursuant to the requirements of the Securities Exchange Act of 1934, we are transmitting herewith the attached Form 10-Q for the quarter ended November 1, 1996.

Sincerely,

KATHY GIES
Lands' End, Inc.
One Lands' End Lane
Dodgeville, WI 53595

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934.
For the Quarter Ended November 1, 1996
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from to

Commission file number 1-9769

LANDS' END, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

36-2512786
(I.R.S. Employer
Identification No.)

Lands' End Lane, Dodgeville, WI
(Address of principal executive
offices)

53595
(Zip code)

Registrant's telephone number,
including area code

608-935-9341

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

Yes

No

Indicate the number of shares outstanding of each of the issuer's classes

of common stock as of December 13, 1996:

Common stock, \$.01 par value 32,442,330 shares outstanding

LANDS' END, INC. & SUBSIDIARIES
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

LANDS' END, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

Three months ended
November 1, October 27,
1996 1995
(unaudited)

Net sales	\$287,420	\$235,887
Cost of sales	161,333	136,896
Gross profit	126,087	98,991
Selling, general and administrative expenses	115,769	97,480
Income from operations	10,318	1,511
Other income (expense):		
Interest expense	(235)	(1,261)
Interest income	4	-
Other	232	2,691
Total other income	1	1,430
Income before income taxes	10,319	2,941
Income tax provision	4,162	1,175
Net income	\$ 6,157	\$ 1,766
Net income per share	\$ 0.19	\$ 0.05

The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.

LANDS' END, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

Nine months ended
November 1, October 27,
1996 1995
(unaudited)

Net sales	\$695,415	\$632,073
Cost of sales	385,122	360,336
Gross profit	310,293	271,737
Selling, general and administrative expenses	287,369	266,071
Income from operations	22,924	5,666
Other income (expense):		

Interest expense	(404)	(2,236)
Interest income	104	19
Other	(31)	4,497
Total other income (expense), net	(331)	2,280
Income before income taxes	22,593	7,946
Income tax provision	9,077	3,178
Net income	\$ 13,516	\$ 4,768
Net income per share	\$ 0.41	\$ 0.14

The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.

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LANDS' END, INC. & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands)

	November 1, 1996	February 2, 1996 (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,961	\$ 17,176
Receivables	10,892	8,064
Inventory	206,939	164,816
Prepaid advertising	18,423	15,824
Other prepaid expenses	4,735	5,295
Deferred income tax benefit	10,914	10,914
Total current assets	257,864	222,089
Property, plant and equipment, at cost:		
Land and buildings	72,377	72,248
Fixtures and equipment	95,871	83,880
Leasehold improvements	3,919	2,912
Total property, plant and equipment	172,167	159,040
Less-accumulated depreciation and amortization	69,854	60,055
Property, plant and equipment, net	102,313	98,985
Intangibles, net	2,404	2,423
Total assets	\$362,581	\$323,497
Liabilities and shareholders' investment		
Current liabilities:		
Lines of credit	\$ 26,688	\$ 9,319
Accounts payable	92,649	62,380
Reserve for returns	5,132	4,555
Accrued liabilities	30,584	23,751
Accrued profit sharing	1,541	1,483
Income taxes payable	2,378	13,256
Total current liabilities	158,972	114,744
Deferred income taxes	7,212	7,212
Long-term liabilities	473	349

Shareholders' investment:

Common stock, 40,221 shares issued	402	402
Donated capital	8,400	8,400
Additional paid-in capital	26,230	26,165
Deferred compensation	(1,440)	(1,193)
Currency translation adjustments	665	360
Retained earnings	273,625	260,109
Treasury stock, 7,417 and 6,561 shares at cost, respectively	(111,958)	(93,051)
Total shareholders' investment	195,924	201,192
Total liabilities and shareholders' investment	\$362,581	\$323,497

The accompanying notes to consolidated financial statements are an integral part of these consolidated balance sheets.

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LANDS' END, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

Nine Months Ended
November 1, 1996 October 27, 1995
(unaudited)

Cash flows from (used for) operating activities:		
Net income	\$ 13,516	\$ 4,768
Adjustments to reconcile net income to net cash flows from operating activities-		
Depreciation and amortization	10,054	9,469
Deferred compensation expense	(247)	179
Loss on disposal of fixed assets	125	214
Deferred income taxes	-	(1,180)
Changes in current assets and liabilities excluding the effects of acquisitions and divestitures:		
Receivables	(2,828)	(3,712)
Inventory	(42,123)	(91,439)
Prepaid advertising	(2,599)	(12,675)
Other prepaid expenses	560	(3,501)
Accounts payable	30,269	41,529
Reserve for returns	577	(642)
Accrued liabilities	6,833	(3,873)
Accrued profit sharing	58	(1,179)
Income taxes payable	(10,878)	(8,107)
Other	429	(467)
Net cash flows from (used for) operating activities	3,746	(70,616)
Cash flows used for investing activities:		
Cash paid for capital additions	(13,488)	(11,185)
Net cash flows used for investing activities	(13,488)	(11,185)
Cash flows from (used for) financing activities:		
Proceeds from short-term debt	17,369	96,527
Tax effect of exercise of stock options	65	13
Purchases of treasury stock	(18,907)	(16,964)
Net cash flows from (used for) financing activities	(1,473)	79,576
Net decrease in cash and cash equivalents	(11,215)	(2,225)
Beginning cash and cash equivalents	17,176	5,426
Ending cash and cash equivalents	\$ 5,961	\$ 3,201
Supplemental cash flow disclosures:		
Interest paid	\$ 372	\$ 1,916
Income taxes paid	19,876	14,030

The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.

LANDS' END, INC. & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Information pertaining to November 1, 1996, and the three months ended November 1, 1996, and October 27, 1995, is unaudited)

The condensed consolidated financial statements included herein have been prepared by Lands' End, Inc. (the company), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission, and in the opinion of management contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the company believes that the disclosures are adequate to make the information presented not misleading. The results of operations for the interim periods disclosed within this report are not necessarily indicative of future financial results. These consolidated financial statements are condensed and should be read in conjunction with the financial statements and the notes thereto included in the company's latest Annual Report on Form 10-K, which includes financial statements for the year ended February 2, 1996.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of business

Lands' End, Inc., (the company) is a direct marketer of traditionally styled apparel, domestics (primarily bedding and bath items), soft luggage, and other products. The company's primary market is the United States, and other markets include the Pacific Basin area, Europe and Canada.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Principles of consolidation

The consolidated financial statements include the accounts of the company and its subsidiaries after elimination of intercompany accounts and transactions.

Fiscal year

The company utilizes a 52-53 week fiscal year ending on the Friday nearest January 31. Fiscal 1997 will be a 52-week year ending on January 31, 1997. Fiscal 1996 was a 53-week year that ended on February 2, 1996.

Fair values of financial instruments

The fair value of financial instruments does not materially differ from their carrying values.

Inventory

Inventory, primarily merchandise held for sale, is stated at last-in, first-out (LIFO) cost, which is lower than market. If the first-in, first-out (FIFO) method of accounting for inventory had been used, inventory would have been approximately \$24.5 million and \$22.4 million higher than reported at November 1, and February 2, 1996, respectively.

LANDS' END, INC. & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Information pertaining to November 1, 1996, and the three months ended November 1, 1996, and October 27, 1995, is unaudited)

Advertising

The company expenses the costs of advertising for magazines, television, radio, and other media the first time the advertising takes place, except for direct-response advertising, which is capitalized and amortized over its expected period of future benefits.

Direct-response advertising consists primarily of catalog production and mailing costs that have not yet been fully amortized over the expected revenue stream, which is within three months from the date catalogs are mailed.

Advertising costs reported as prepaid assets were \$18.4 million and \$15.8 million as of November 1, 1996 and February 2, 1996, respectively. Advertising expense was \$55.9 million and \$49.1 million for the three-month periods ended November 1, 1996, and October 27, 1995, respectively. Advertising expense was \$132.3 million and \$126.2 million reported for the nine-month periods ended November 1, 1996, and October 27, 1995, respectively.

Depreciation

Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets, which are 20 to 30 years for buildings and land improvements and 5 to 10 years for leasehold improvements and furniture, fixtures, equipment, and software.

Intangibles

Intangible assets consist primarily of goodwill which is being amortized over 40 years on a straight-line basis. Other intangibles are amortized over a period of five years. Total accumulated amortization of these intangibles as reflected on the Consolidated Balance Sheets was \$0.5 million and \$0.4 million as of November 1, and February 2, 1996, respectively.

Net income per share

Net income per share is computed by dividing net income by the weighted average number of common shares outstanding during each period. The weighted average common shares outstanding were 32.9 million and 33.9 million for the three-month periods ended November 1, 1996, and October 27, 1995, respectively; and 33.3 million and 34.4 million for the nine-month periods ended November 1, 1996, and October 27, 1995, respectively. Common stock equivalents includes awards, grants and stock options which have been issued by the company. The common stock equivalents do not significantly dilute basic earnings per share.

Reserve for losses on customer returns

At the time of sale, the company provides a reserve equal to the gross profit on projected merchandise returns, based on its prior returns experience.

Financial instruments with off-balance-sheet risk

The company is party to financial instruments with off-balance-sheet risk in the normal course of business to reduce its exposure to fluctuations in foreign currency exchange rates and to meet financing needs.

LANDS' END, INC. & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information pertaining to November 1, 1996, and the three months
ended November 1, 1996, and October 27, 1995, is unaudited)

The company enters into forward exchange contracts to hedge anticipated foreign currency transactions during the upcoming seasons. The purpose of the company's foreign currency hedging activities is to protect the company from the risk that the eventual dollar cash flows resulting from these transactions will be adversely affected by changes in exchange rates. At November 1, 1996, the company had forward exchange contracts, maturing through January 1998, to sell approximately 3.1 billion Japanese yen and 7.0 million British pounds, and to purchase approximately 1.3 million Canadian dollars. The gains and losses on the outstanding forward exchange contracts are reflected in the financial statements in the period in which the currency fluctuation occurs.

The company also uses import letters of credit to purchase foreign-sourced merchandise. The letters of credit are primarily U.S. dollar-denominated and are issued through third-party financial institutions to guarantee payment for such merchandise within agreed upon time periods. At November 1, 1996, the

company had outstanding letters of credit of approximately \$28.6 million, all of which had expiration dates of less than one year.

The counterparties to the financial instruments discussed above are primarily two large financial institutions; management believes the risk of counterparty nonperformance on these financial instruments is not significant.

Foreign currency translation

Financial statements of the foreign subsidiaries are translated into U.S. dollars in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 52. Translation adjustments are accumulated in a separate component of stockholder's equity. Foreign currency exchange gains and losses reflected before taxes on the Consolidated Statements of Operations included a gain of \$0.01 million and \$2.4 million for the three-month periods ended November 1, 1996, and October 27, 1995, respectively; and a loss of \$0.5 million and a gain of \$4.0 million for the nine-month periods ended November 1, 1996, and October 27, 1995, respectively.

Postretirement benefits

The company does not currently provide any postretirement benefits for employees other than profit sharing and a 401(k) plan (see Note 7).

Reclassification

Certain financial statement amounts have been reclassified to be consistent with the fiscal 1997 presentation.

Accounting Standards

In fiscal 1997, the company adopted Statement of Financial Accounting Standard (SFAS) No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of". The statement requires entities to review long-lived assets and certain intangible assets in certain circumstances, and if the value of the assets is impaired, an impairment loss shall be recognized. There has been no material impact on the company's consolidated financial statements since adopting this standard.

LANDS' END, INC. & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information pertaining to November 1, 1996, and the three months
ended November 1, 1996, and October 27, 1995, is unaudited)

NOTE 2. SHAREHOLDERS' INVESTMENT

Capital stock

The company currently has 160 million shares of \$0.01 par value common stock. The company is authorized to issue 5 million shares of preferred stock, \$0.01 par value. The company's board of directors has the authority to issue shares and to fix dividends, voting and conversion rights, redemption provisions, liquidation preferences, and other rights and restrictions of the preferred stock.

Treasury stock

The company has completed its May 1994 stock purchase authorization of 2.0 million shares. In July 1996, the company's board of directors authorized the additional purchase of up to 1.0 million shares of the company's common stock.

Stock awards and grants

The company replaced its restricted stock award plan with a long-term incentive plan. More detailed information relating to this plan is disclosed in the Proxy Statement dated April 22, 1996. However, in the current fiscal year, the company granted shares of its common stock to one individual as an inducement to enter the employ of the company. Such shares vest over five years on a straight-line basis from the date of the award.

The following table reflects the activity under the long-term incentive plan:

	Awards	Grants
Balance at January 28, 1994	149,160	10,000
Granted	-	-

Forfeited	(15,940)	(10,000)
Vested	(17,860)	-
Balance at January 27, 1995	115,360	0
Granted	-	-
Forfeited	(2,700)	-
Vested	(15,980)	-
Balance at February 2, 1996	96,680	0
Granted	-	25,000
Forfeited	(6,560)	-
Vested	(7,320)	-
Balance at November 1, 1996	82,800	25,000

The granting of these awards and grants has been recorded as deferred compensation based on the fair market value of the shares at the date of grant. Compensation expense under these plans is recorded as shares vest.

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LANDS' END, INC. & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information pertaining to November 1, 1996, and the three months
ended November 1, 1996, and October 27, 1995, is unaudited)

Stock options

The company has 2.5 million shares of common stock, either authorized and unissued shares or treasury shares, that may be issued pursuant to the exercise of options granted under the company's long-term incentive plan. Options are granted at the discretion of a committee of the company's board of directors to officers and key employees of the company. No option may have an exercise price less than the fair market value per share of the common stock at the date of grant.

Activity under the long-term incentive plan is as follows:

	Options	Average Exercise Price	Vested Options
Balance at January 28, 1994	1,689,200	\$13.31	340,000
Granted	-	-	
Exercised	(294,000)	\$ 6.72	
Forfeited	(928,800)	\$15.27	
Balance at January 27, 1995	466,400	\$13.56	195,480
Granted	342,100	\$16.50	
Exercised	(116,000)	\$ 7.40	
Forfeited	(70,800)	\$17.55	
Balance at February 2, 1996	621,700	\$15.87	150,240
Granted	497,000	\$19.01	
Exercised	(42,310)	\$14.28	
Forfeited	(75,990)	\$16.69	
Balance at November 1, 1996	1,000,400	\$17.43	180,340

The above options currently outstanding vest in accordance to the plan from the date of grant. The outstanding options expire as follows:

2001	-	52,000
2002	-	40,000
2003	-	148,800
2005	-	262,600
2006	-	497,000
		1,000,400

The company adopted SFAS No. 123 "Accounting for Stock-Based Compensation" in the first quarter of fiscal 1997. The statement relates to the measurement of compensation of stock options issued to employees. The statement gives entities a choice of recognizing related compensation expense by adopting a

new fair value method determination or to continue to measure compensation using the former standard. If the former standard for measurement is elected, SFAS No. 123 requires supplemental disclosure to show the effects of using the new measurement criteria. The company elected to continue to use the measurement prescribed by the former standard, and accordingly, the pronouncement had no effect on the company's financial position or results of operations. The company will present the supplemental disclosure in the fiscal 1997 Annual Report on Form 10-K.

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LANDS' END, INC. & SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Information pertaining to November 1, 1996, and the three months
 ended November 1, 1996, and October 27, 1995, is unaudited)

NOTE 3. INCOME TAXES

Under the liability method prescribed by the Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," deferred taxes are provided based upon enacted tax laws and rates applicable to the periods in which taxes become payable.

Temporary differences that give rise to deferred tax assets and liabilities as of November 1, and February 2, 1996, are as follows (in thousands):

	November 1, 1996	February 2, 1996
Deferred tax assets:		
Catalog advertising	\$ (1,415)	\$ (1,415)
Inventory	8,602	8,602
Employee benefits	1,918	1,918
Reserve for returns	1,822	1,822
Other	(13)	(13)
Total	\$ 10,914	\$ 10,914
Deferred tax liabilities		
Depreciation	7,980	7,980
Foreign operating loss carryforwards	(527)	(527)
Valuation allowance	527	527
Other	(768)	(768)
Total	\$ 7,212	\$ 7,212

The valuation allowance required under SFAS No. 109 has been established for the deferred income tax benefits related to certain subsidiary loss carryforwards, which management currently estimates may not be realized. These carryforwards do not expire.

In the periods presented, the differences between income taxes at the statutory federal income tax rate of 35 percent, and income taxes reported in the consolidated statements of operations are due primarily to the effect of state income taxes.

NOTE 4. LINES OF CREDIT

The company has unsecured domestic lines of credit with various U.S. banks totaling \$110 million. There was \$11.5 million outstanding at November 1, 1996, at interest rates averaging 6.0%, compared to no outstanding amount on February 2, 1996.

In addition, the company has unsecured lines of credit with foreign banks totaling the equivalent of \$43 million for its wholly owned foreign subsidiaries. There was \$15.2 million outstanding at November 1, 1996, at interest rates averaging 3.2%, compared to \$9.3 million as of February 2, 1996.

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LANDS' END, INC. & SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Information pertaining to November 1, 1996, and the three months
 ended November 1, 1996, and October 27, 1995, is unaudited)

NOTE 5. LONG-TERM DEBT

There was no long-term debt as of November 1, and February 2, 1996.

The company has an agreement that expires December 31, 1996, with a bank for a \$20 million credit facility available to fund treasury stock purchases and capital expenditures.

NOTE 6. LEASES

The company leases store and office space and equipment under various leasing arrangements. The leases are accounted for as operating leases. Total rental expense under these leases was \$3.2 million and \$3.0 million for the three-month periods ended November 1, 1996, and October 27, 1995, respectively. Rental expense for the nine-month periods ended November 1, 1996, and October 27, 1995, was \$9.5 million and \$8.6 million, respectively.

Total future fiscal year commitments under these leases as of November 1, 1996, are as follows (in thousands):

1997 (three months)	\$ 2,936
1998	9,745
1999	6,909
2000	4,978
2001	3,079
After 2001	8,276
	\$35,923

NOTE 7. RETIREMENT PLAN

The company has a retirement plan which covers most regular employees and provides for annual contributions at the discretion of the board of directors. Also included in the plan is a 401(k) feature which allows employees to make contributions and the company matches a portion of those contributions. Total expense provided under this plan was \$1.7 million and \$0.8 million for the three-month periods ended November 1, 1996, and October 27, 1995, respectively. Total expenses were \$2.9 million and \$1.7 million for the nine-month periods ended November 1, 1996, and October 27, 1995, respectively.

NOTE 8: SALES AND USE TAX

A 1992 Supreme Court decision confirmed that the Commerce Clause of the United States Constitution prevents a state from requiring the collection of its use tax by a mail order company unless the company has a physical presence in the state. However, there continues to be uncertainty due to inconsistent application of the Supreme Court decision by state and federal courts. The company attempts to conduct its operations in compliance with its interpretation of the applicable legal standard, but there can be no assurance that such compliance will not be challenged.

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LANDS' END, INC. & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information pertaining to November 1, 1996, and the three months
ended November 1, 1996, and October 27, 1995, is unaudited)

In recent challenges various states have sought to require companies to begin collection of use taxes and/or pay taxes from previous sales. The company has not received assessments from any state. The amount of potential assessments, if any, cannot be reasonably estimated.

The Supreme Court decision also established that Congress has the power to enact legislation which would permit states to require collection of use taxes by mail order companies. Congress has from time to time considered proposals for such legislation. The company anticipates that any legislative change, if adopted, would be applied only on a prospective basis.

Item 2. Management's Discussion
and Analysis

Results of Operations

Three Months Ended November 1, 1996, compared with
Three Months Ended October 27, 1995

The company's net sales in the third quarter of fiscal 1997 increased 21.8 percent to \$287.4 million from \$235.9 million in the same quarter last year when sales declined 4.2 percent. On an adjusted calendar-year basis (prior year was a 53-week year), net sales for the quarter just ended were up 17.9 percent. The increase in sales during the quarter just ended was mainly due to improvements in overall catalog productivity, or sales per page, particularly in the specialty catalogs, as well as from sales increases in foreign-based operations. Productivity improvements in the core U.S. business, represented by the monthly and prospecting catalogs, occurred in the last half of the third quarter.

Third quarter ending inventory was \$207 million, compared with \$260 million a year ago.

Gross profit in the quarter just ended was \$126.1 million, or 43.9 percent of net sales, compared with \$99.0 million, or 42.0 percent of net sales, in the similar quarter last year. The increase in gross profit margin was due to lower merchandise costs, which were primarily the result of sourcing improvements, higher initial markups, and less steep markdowns on liquidated merchandise. Liquidations of excess inventory were about 13 percent of net sales in the quarter just ended, about the same as in the prior year.

For the third quarter this year, selling, general and administrative expenses increased 19 percent to \$115.8 million, compared with \$97.5 million for last year's third quarter. As a percentage of net sales, SG&A was 40.3 percent,

compared with 41.3 percent in the similar period last year. The decrease in the SG&A ratio was primarily the result of greater productivity in the catalogs as shown by increased sales per page mailed. This was partially offset by increased bonus and profit sharing expenses associated with the higher level of profitability.

Net income for the quarter just ended was \$6.2 million, or 19 cents per share, up from the \$1.8 million, or 5 cents per share, earned in the prior year's third quarter. The current year's third quarter includes an after-tax charge to earnings of \$840,000, or a reduction of 3 cents per share, in connection with the prior sale of the company's wholly owned subsidiary, MontBell America, Inc. The prior year's third quarter included a \$1.4 million after-tax benefit to earnings attributable to foreign currency exchange gains, which was recorded as other income. Foreign currency exchange gains or losses occur due to currency market movements and the company's hedging strategy.

Nine Months Ended November 1, 1996, compared with
Nine Months Ended October 27, 1995

The company's net sales in the first nine months of fiscal 1997 increased 10.0 percent to \$695.4 million from \$632.1 million in the same period last year. The increase in net sales was due primarily to the same factors disclosed above for the three months ended November 1, 1996.

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Gross profit of \$310.3 million for the first nine months of fiscal 1997 increased 14.2 percent from \$271.7 million in the same nine-month period last year. As a percentage of net sales, gross profit increased from 43.0 percent in fiscal 1996 to 44.6 percent in fiscal 1997. The increase in gross profit was due principally to the same factors disclosed above for the third quarter ended November 1, 1996. Year-to-date liquidation sales were about 10 percent, compared with 11 percent during the same period last year.

Selling, general and administrative expenses increased 8.0 percent to \$287.4 million in the first nine months of fiscal 1997 from \$266.1 million in the same period last year. As a percentage of net sales, selling, general and administrative expenses decreased to 41.3 percent in fiscal 1997 from 42.1 percent in fiscal 1996. The decrease in the SG&A ratio was the result of better performance of the catalogs. This was somewhat offset by increased bonus and profit sharing expenses associated with the improved profitability.

Net income in the first nine months of fiscal 1997 was \$13.5 million, or 41 cents per share, compared with \$4.8 million, or 14 cents per share in the prior year.

Seasonality of Business

The company's business is highly seasonal. Historically, a disproportionate amount of the company's net sales and a majority of its profits have been realized during the fourth quarter. If the company's sales were materially different from seasonal norms during the fourth quarter, the company's annual operating results could be materially affected. In addition, as the company continues to refine its marketing efforts by experimenting with the timing of its catalog mailings, quarter results may fluctuate. Accordingly, results for the individual quarters are not necessarily indicative of the results to be expected for the entire year.

Liquidity and capital resources

To date, the bulk of the company's working capital needs have been met through funds generated from operations and from short-term bank loans. The company's principal need for working capital has been to meet peak inventory requirements associated with its seasonal sales pattern. In addition, the company's resources have been used to purchase treasury stock and make asset additions.

The company will continue to explore investment opportunities arising from the expansion of its international businesses and the development of new businesses. While this investment spending has had some negative short term impact on earnings, it is not expected to have a material effect on liquidity.

At November 1, 1996, the company had unsecured domestic credit facilities totaling \$110 million, of which about \$11.5 million was used. The company also maintains foreign credit lines for use in foreign operations totaling the

equivalent of approximately \$43 million, of which \$15.2 million was used at November 1, 1996. The company has a separate \$20 million bank facility available to fund treasury stock purchases and capital expenditures. This facility runs through December 31, 1996.

The company has completed its May 1994 stock purchase authorization of 2.0 million shares. In July 1996, the company's board of directors authorized the additional purchase of up to 1.0 million shares of the company's common stock. Of the 1.0 million shares, 0.6 million shares had been purchased as of December 13, 1996.

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Capital expenditures for fiscal 1997 are currently planned to be about \$17 million, of which about \$13 million had been expended through November 1, 1996. Major projects include new computer hardware and software, expansion of distribution facilities in Dodgeville, WI, and leasehold improvements for new retail stores. The company believes that its cash flow from operations and borrowings under its current credit facilities will provide adequate resources to meet its capital requirements and operational needs for the foreseeable future.

Possible future changes

Sales and use tax

A 1992 Supreme Court decision confirmed that the Commerce Clause of the United States Constitution prevents a state from requiring the collection of its use tax by a mail order company unless the company has a physical presence in the state. However, there continues to be uncertainty due to inconsistent application of the Supreme Court decision by state and federal courts. The company attempts to conduct its operations in compliance with its interpretation of the applicable legal standard, but there can be no assurance that such compliance will not be challenged.

In recent challenges, various states have sought to require companies to begin collection of use taxes and/or pay taxes from previous sales. The company has not received assessments from any state.

The Supreme Court decision also established that Congress has the power to enact legislation which would permit states to require collection of use taxes by mail order companies. Congress has from time to time considered proposals for such legislation. The company anticipates that any legislative change, if adopted, would be applied only on a prospective basis.

Other

The trend of overall sales increase has not been as strong as the third quarter.

Inventory in the third quarter of fiscal 1997 decreased 20 percent to \$207 million, compared to \$260 million for last year's third quarter. Lower inventory levels reduce associated interest expenses, but may also result in order fulfillment issues and higher lost sales.

The possible future changes discussed above are forward looking, subject to numerous uncertainties and accordingly, not necessarily indicative of actual future results.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There are no material legal proceedings presently pending, except for

routine litigation incidental to the business, to which Lands' End, Inc., is a party or of which any of its property is the subject.

Items 2 and 3 are not applicable and have been omitted.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders for the quarter ended November 1, 1996.

Item 5. Other Information

In November 1996, the company's board of directors elected vice chairman of sales William E. Ferry as a director of the company. He is also a member of the company's executive committee. Ferry had been executive vice president, merchandising, with Lands' End between 1981 and 1986, at which time he left the firm to become president and chief executive officer for Eastern Mountain Sports for the intervening 10-year period.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The following exhibit is filed as part of this report:

Table Number	Description	Exhibit Number
(11)	Statement of recomputation of earnings per share	1

(b) Reports on Form 8-K

There were no reports filed on Form 8-K during the three-month period ended November 1, 1996.

SIGNATURE

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

LANDS' END, INC.

Date: December 13, 1996

By /s/ BRADLEY K. JOHNSON
 Bradley K. Johnson
 Senior Vice President and
 Chief Financial Officer

LIST OF DOCUMENTS INCORPORATED BY REFERENCE

In addition to the exhibits filed with this report, the exhibits listed below have been heretofore filed with the Securities and Exchange Commission as exhibits to the company's registration statement on Form S-8 (File No. 33-63461) and on Form S-1 (File No. 33-08217) or to other filings with the Commission and are incorporated herein as exhibits by reference, pursuant to Rule 24 of the SEC Rules of Practice. The exhibit number of each document so filed is stated next to the description of such exhibit. The file number for all other documents is 1-9769.

Table Number	Description of Item	Exhibit Number	Document Description
(3)	Articles of Incorporation and By-Laws:		
	Certificate of Incorporation of the company, as amended through October 3, 1986.	1	S-1
	Amendment to Certificate of Incorporation of the company, dated August 10, 1987.	3	10-Q October 1987
	Amendment to Certification of Incorporation of the company, dated May 20, 1994	4	10-Q July 1994
	Amended and Restated by-Laws of the company.	2	10-K 1993
(4)	Equity Instrument and Agreements		

relating to Debt Obligations:

	Form of Certificate to evidence the Common stock.	1	10-Q August 1990
	First Amendment to the Lands' End Retirement Plan.	2	S-8 October 1995
(10)	Material Contracts:		
	Form of letter from bank approving the company's unsecured line of credit and corresponding note.	7	10-K 1992
	Term Loan Note and Loan Agreement between the company and the American National Bank and Trust Company of Chicago.	11	10-Q August 1990
	Fifth Amendment to Loan Agreement between the company and the American National Bank and Trust Company of Chicago, dated November 22, 1994.	2	10-Q October 1994

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Table Number	Description of Item	Exhibit Number	Document Description
(10)	Sixth Amendment to Loan Agreement between the company and the American National Bank and Trust Company of Chicago, dated December 6, 1995.	1	10-K 1996
	Buying Agreement between the company and European Buying Agency, Ltd.	7	10-Q November 1990
	Salaried Incentive Bonus Plan	9	S-1
	Annual Incentive Plan and Long-Term Incentive Plan		Proxy 1996
	Stock Option Plan of the company	1	10-K 1995
	Amended and Restated Retirement Plan, dated February 1, 1992.	3	10-K 1994
	Form of Director Deferred Compensation Agreement	1	10-Q July 1995
(13)	Annual Report to Shareholders for the fiscal year ended February 2, 1996		10-K 1996

Exhibit 11.1

COMPUTATION OF EARNINGS PER SHARE

LANDS' END, INC. & SUBSIDIARIES
 COMPUTATION OF EARNINGS PER SHARE
 (In thousands, except per share amounts)

	Three months ended		Nine Months Ended	
	11/01/96	10/27/95	11/01/96	10/27/95
Net income.....	\$ 6,157	\$ 1,766	\$ 13,516	\$ 4,768
Average shares of common stock outstanding during the period.....	32,895	33,918	33,255	34,417
Incremental shares from assumed exercise of stock options (primary)....	193	93	130	93
	33,088	34,011	33,385	34,510
Primary earnings per share.....	\$ 0.19	\$ 0.05	\$ 0.40	\$ 0.14
Average shares of common stock outstanding during the period.....	32,895	33,918	33,255	34,417
Incremental shares from assumed exercise of stock options (fully diluted)	208	93	208	93
	33,103	34,011	33,463	34,510
Fully diluted earnings per share.....	\$ 0.19	\$ 0.05	\$ 0.40	\$ 0.14
Average shares of common stock outstanding during the period.....	32,895	33,918	33,255	34,417
Basic earnings per share.....	\$ 0.19	\$ 0.05	\$ 0.41	\$ 0.14

<ARTICLE> 5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM CONSOLIDATED BALANCE SHEETS, CONSOLIDATED STATEMENTS OF OPERATIONS, AND COMPUTATION OF EARNINGS PER SHARE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS AND EXHIBIT.

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