

Abercrombie & Fitch Co.
Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(Unaudited)

	Thirteen Weeks Ended		Thirteen Weeks Ended	
	July 29, 2017	% of Net Sales	July 30, 2016	% of Net Sales
Net sales	\$ 779,321	100.0 %	\$ 783,160	100.0 %
Cost of sales, exclusive of depreciation and amortization	318,426	40.9 %	306,053	39.1 %
Gross profit	460,895	59.1 %	477,107	60.9 %
Stores and distribution expense	369,295	47.4 %	382,917	48.9 %
Marketing, general and administrative expense	109,353	14.0 %	111,719	14.3 %
Asset impairment	6,135	0.8 %	6,356	0.8 %
Other operating income, net	(2,799)	(0.4)%	(13,080)	(1.7)%
Operating loss	(21,089)	(2.7)%	(10,805)	(1.4)%
Interest expense, net	4,089	0.5 %	4,741	0.6 %
Loss before taxes	(25,178)	(3.2)%	(15,546)	(2.0)%
Tax benefit	(10,563)	(1.4)%	(3,515)	(0.4)%
Net loss	(14,615)	(1.9)%	(12,031)	(1.5)%
Less: Net income attributable to noncontrolling interests	876	0.1 %	1,098	0.1 %
Net loss attributable to Abercrombie & Fitch Co.	<u>\$ (15,491)</u>	<u>(2.0)%</u>	<u>\$ (13,129)</u>	<u>(1.7)%</u>
Net loss per share attributable to Abercrombie & Fitch Co.:				
Basic	\$ (0.23)		\$ (0.19)	
Diluted	\$ (0.23)		\$ (0.19)	
Weighted-average shares outstanding:				
Basic	68,456		67,944	
Diluted	68,456		67,944	

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	Twenty-six Weeks Ended		Twenty-six Weeks Ended	
	July 29, 2017	% of Net Sales	July 30, 2016	% of Net Sales
Net sales	\$ 1,440,420	100.0 %	\$ 1,468,643	100.0 %
Cost of sales, exclusive of depreciation and amortization	580,600	40.3 %	565,815	38.5 %
Gross profit	859,820	59.7 %	902,828	61.5 %
Stores and distribution expense	729,224	50.6 %	752,035	51.2 %
Marketing, general and administrative expense	219,246	15.2 %	226,166	15.4 %
Asset impairment	6,865	0.5 %	6,356	0.4 %
Other operating income, net	(4,485)	(0.3)%	(16,013)	(1.1)%
Operating loss	(91,030)	(6.3)%	(65,716)	(4.5)%
Interest expense, net	8,209	0.6 %	9,247	0.6 %
Loss before taxes	(99,239)	(6.9)%	(74,963)	(5.1)%
Tax benefit	(23,615)	(1.6)%	(24,302)	(1.7)%
Net loss	(75,624)	(5.3)%	(50,661)	(3.4)%
Less: Net income attributable to noncontrolling interests	1,567	0.1 %	2,055	0.1 %
Net loss attributable to Abercrombie & Fitch Co.	\$ (77,191)	(5.4)%	\$ (52,716)	(3.6)%
Net loss per share attributable to Abercrombie & Fitch Co.:				
Basic	\$ (1.13)		\$ (0.78)	
Diluted	\$ (1.13)		\$ (0.78)	
Weighted-average shares outstanding:				
Basic	68,264		67,785	
Diluted	68,264		67,785	

Abercrombie & Fitch Co.
Condensed Consolidated Balance Sheets
(in thousands)
(Unaudited)

	<u>July 29, 2017</u>	<u>January 28, 2017</u>	<u>July 30, 2016</u>
<u>ASSETS</u>			
Current assets:			
Cash and equivalents	\$ 421,903	\$ 547,189	\$ 455,606
Receivables	110,590	93,384	79,012
Inventories, net	471,037	399,795	453,175
Other current assets	72,215	98,932	108,878
Total current assets	<u>1,075,745</u>	<u>1,139,300</u>	<u>1,096,671</u>
Property and equipment, net	793,374	824,738	850,114
Other assets	358,794	331,719	385,605
TOTAL ASSETS	<u><u>\$ 2,227,913</u></u>	<u><u>\$ 2,295,757</u></u>	<u><u>\$ 2,332,390</u></u>
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
Current liabilities:			
Accounts payable	\$ 208,432	\$ 187,017	\$ 180,834
Accrued expenses	267,745	273,044	279,918
Short-term portion of deferred lease credits	19,723	20,076	21,962
Income taxes payable	2,880	5,863	15,162
Short-term portion of borrowings, net	—	—	1,468
Total current liabilities	<u>498,780</u>	<u>486,000</u>	<u>499,344</u>
Long-term liabilities:			
Long-term portion of deferred lease credits	\$ 78,063	\$ 76,321	\$ 79,877
Long-term portion of borrowings, net	263,714	262,992	285,528
Leasehold financing obligations	49,186	46,397	50,132
Other liabilities	171,852	172,008	185,285
Total long-term liabilities	<u>562,815</u>	<u>557,718</u>	<u>600,822</u>
Total Abercrombie & Fitch Co. stockholders' equity	1,157,068	1,243,435	1,225,944
Noncontrolling interests	9,250	8,604	6,280
Total stockholders' equity	<u>1,166,318</u>	<u>1,252,039</u>	<u>1,232,224</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 2,227,913</u></u>	<u><u>\$ 2,295,757</u></u>	<u><u>\$ 2,332,390</u></u>

REPORTING AND USE OF GAAP AND NON-GAAP MEASURES

The company believes that each of the non-GAAP financial measures presented in this news release are useful to investors as they supplement investors' understanding of comparability across periods and provide the ability to measure the company's operating performance excluding the effect of certain items that the company believes do not reflect its future operating outlook. Management used these non-GAAP financial measures during the periods presented to assess the company's performance, to make decisions about how to allocate resources and to develop expectations for future operating performance. The company provides certain financial information on a constant currency basis to enhance investors' understanding of underlying business trends and operating performance. The effect from foreign currency, calculated on a constant currency basis, is determined by applying current period exchange rates to prior year results and is net of the year-over-year impact from hedging. The per diluted share effect from foreign currency is calculated using a 35% tax rate. In addition, the company provides comparable sales which is defined as the aggregate of: (1) year-over-year sales for stores that have been open as the same brand at least one year and whose square footage has not been expanded or reduced by more than 20% within the past year, with prior year's net sales converted at the current year's foreign currency exchange rate to remove the impact of currency fluctuation, and (2) year-over-year direct-to-consumer sales with prior year's net sales converted at the current year's foreign currency exchange rate to remove the impact of currency fluctuation. Non-GAAP financial measures should be used supplemental to, not as an alternative to, the company's GAAP financial results, and may not be the same as similar measures presented by other companies.

Abercrombie & Fitch Co.
Schedule of Non-GAAP Financial Measures
Thirteen Weeks Ended July 29, 2017
(in thousands, except per share data)
(Unaudited)

	GAAP ⁽¹⁾	Excluded Items	Adjusted Non-GAAP
Asset impairment ⁽²⁾	\$ 6,135	\$ 6,135	\$ —
Operating loss	(21,089)	(6,135)	(14,954)
Loss before taxes	(25,178)	(6,135)	(19,043)
Tax benefit ⁽³⁾	(10,563)	(1,610)	(8,953)
Net loss attributable to Abercrombie & Fitch Co.	\$ (15,491)	\$ (4,525)	\$ (10,966)
Net loss per diluted share attributable to Abercrombie & Fitch Co.	\$ (0.23)	\$ (0.07)	\$ (0.16)
Diluted weighted-average shares outstanding:	68,456		68,456

⁽¹⁾ "GAAP" refers to accounting principles generally accepted in the United States of America.

⁽²⁾ Excluded Items consist of charges of \$6.1 million related to the impairment of store assets whose carrying value exceeded fair value.

⁽³⁾ The tax effect of excluded items is computed as the difference in the tax provision calculated on a GAAP basis and an adjusted non-GAAP basis.

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Schedule of Non-GAAP Financial Measures
Thirteen Weeks Ended July 30, 2016
(in thousands, except per share data)
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	<u>GAAP⁽¹⁾</u>	<u>Excluded Items</u>	<u>Adjusted Non-GAAP</u>
Asset impairment ⁽²⁾	\$ 6,356	\$ 6,356	\$ —
Other operating income, net ⁽³⁾	(13,080)	(12,282)	(798)
Operating loss	(10,805)	5,926	(16,731)
Loss before taxes	(15,546)	5,926	(21,472)
Tax benefit ⁽⁴⁾	(3,515)	2,247	(5,762)
Net loss attributable to Abercrombie & Fitch Co.	\$ (13,129)	\$ 3,679	\$ (16,808)
Net loss per diluted share attributable to Abercrombie & Fitch Co.	\$ (0.19)	\$ 0.06	\$ (0.25)
Diluted weighted-average shares outstanding:	67,944		67,944

⁽¹⁾ "GAAP" refers to accounting principles generally accepted in the United States of America.

⁽²⁾ Excluded Items consist of charges of \$6.4 million related to the impairment of store assets whose carrying value exceeded fair value.

⁽³⁾ Excluded Items consist of benefits of \$12.3 million related to the settlement of certain economic loss claims.

⁽⁴⁾ The tax effect of excluded items is computed as the difference in the tax provision calculated on a GAAP basis and an adjusted non-GAAP basis.

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Schedule of Non-GAAP Financial Measures
Twenty-six Weeks Ended July 29, 2017
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	<u>GAAP⁽¹⁾</u>	<u>Excluded Items</u>	<u>Adjusted Non-GAAP</u>
Asset impairment ⁽²⁾	\$ 6,865	\$ 6,135	\$ 730
Operating loss	(91,030)	(6,135)	(84,895)
Loss before taxes	(99,239)	(6,135)	(93,104)
Tax benefit ⁽³⁾	(23,615)	(1,610)	(22,005)
Net loss attributable to Abercrombie & Fitch Co.	\$ (77,191)	\$ (4,525)	\$ (72,666)
Net loss per diluted share attributable to Abercrombie & Fitch Co.	\$ (1.13)	\$ (0.07)	\$ (1.06)
Diluted weighted-average shares outstanding:	68,264		68,264

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⁽²⁾ Excluded Items consist of charges of \$6.1 million related to the impairment of store assets whose carrying value exceeded fair value.

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	<u>GAAP⁽¹⁾</u>	<u>Excluded Items</u>	<u>Adjusted Non-GAAP</u>
Asset impairment ⁽²⁾	\$ 6,356	\$ 6,356	\$ —
Other operating income, net ⁽³⁾	(16,013)	(12,282)	(3,731)
Operating loss	(65,716)	5,926	(71,642)
Loss before taxes	(74,963)	5,926	(80,889)
Tax benefit ⁽⁴⁾	(24,302)	2,247	(26,549)
Net loss attributable to Abercrombie & Fitch Co.	\$ (52,716)	\$ 3,679	\$ (56,395)
Net loss per diluted share attributable to Abercrombie & Fitch Co.	\$ (0.78)	\$ 0.05	\$ (0.83)
Diluted weighted-average shares outstanding:	67,785		67,785

⁽¹⁾ "GAAP" refers to accounting principles generally accepted in the United States of America.

⁽²⁾ Excluded Items consist of charges of \$6.4 million related to the impairment of store assets whose carrying value exceeded fair value.

⁽³⁾ Excluded Items consist of benefits of \$12.3 million related to the settlement of certain economic loss claims.

⁽⁴⁾ The tax effect of excluded items is computed as the difference in the tax provision calculated on a GAAP basis and an adjusted non-GAAP basis.

Abercrombie & Fitch Co.
Store Count Activity

Thirteen Weeks Ended July 29, 2017

	Hollister⁽¹⁾		Abercrombie⁽²⁾		Total	
	United States	International	United States	International	United States	International
April 29, 2017	397	145	308	43	705	188
New	—	—	—	—	—	—
Closed	—	—	(2)	—	(2)	—
July 29, 2017	397	145	306	43	703	188

Twenty-six Weeks Ended July 29, 2017

	Hollister⁽¹⁾		Abercrombie⁽²⁾		Total	
	United States	International	United States	International	United States	International
January 28, 2017	398	145	311	44	709	189
New	1	—	2	—	3	—
Closed	(2)	—	(7)	(1)	(9)	(1)
July 29, 2017	397	145	306	43	703	188

⁽¹⁾ Excludes five international franchise stores as of July 29, 2017 and April 29, 2017 and three international franchise stores as of January 28, 2017.

⁽²⁾ Includes Abercrombie & Fitch and abercrombie kids brands. Excludes three international franchise stores as of July 29, 2017 and April 29, 2017 and one international franchise store as of January 28, 2017.