

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

	Thirteen Weeks Ended		Thirteen Weeks Ended	
	January 28, 2017	% of Net Sales	January 30, 2016	% of Net Sales
Net sales	\$ 1,036,363	100.0 %	\$ 1,112,930	100.0%
Cost of sales, exclusive of depreciation and amortization	421,362	40.7 %	436,585	39.2%
Gross profit	615,001	59.3 %	676,345	60.8%
Stores and distribution expense	439,816	42.4 %	430,441	38.7%
Marketing, general and administrative expense	121,729	11.7 %	125,244	11.3%
Asset impairment	1,574	0.2 %	—	—%
Other operating (income) loss, net	(9,377)	(0.9)%	577	0.1%
Operating income	61,259	5.9 %	120,083	10.8%
Interest expense, net	4,810	0.5 %	4,456	0.4%
Income before taxes	56,449	5.4 %	115,627	10.4%
Tax expense	6,344	0.6 %	56,719	5.1%
Net income	50,105	4.8 %	58,908	5.3%
Less: Net income attributable to noncontrolling interests	1,314	0.1 %	1,167	0.1%
Net income attributable to Abercrombie & Fitch Co.	<u>\$ 48,791</u>	<u>4.7 %</u>	<u>\$ 57,741</u>	<u>5.2%</u>
Net income per share attributable to Abercrombie & Fitch Co.:				
Basic	\$ 0.72		\$ 0.86	
Diluted	\$ 0.71		\$ 0.85	
Weighted-average shares outstanding:				
Basic	67,970		67,432	
Diluted	68,299		68,243	

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

	<u>Fifty-Two Weeks Ended</u>		<u>Fifty-Two Weeks Ended</u>	
	<u>January 28, 2017</u>	<u>% of Net Sales</u>	<u>January 30, 2016</u>	<u>% of Net Sales</u>
Net sales	\$ 3,326,740	100.0 %	\$ 3,518,680	100.0 %
Cost of sales, exclusive of depreciation and amortization	1,298,172	39.0 %	1,361,137	38.7 %
Gross profit	2,028,568	61.0 %	2,157,543	61.3 %
Stores and distribution expense	1,578,460	47.4 %	1,604,214	45.6 %
Marketing, general and administrative expense	453,202	13.6 %	470,321	13.4 %
Restructuring benefit	—	— %	(1,598)	— %
Asset impairment	7,930	0.2 %	18,209	0.5 %
Other operating income, net	(26,212)	(0.8)%	(6,441)	(0.2)%
Operating income	15,188	0.5 %	72,838	2.1 %
Interest expense, net	18,666	0.6 %	18,248	0.5 %
(Loss) income before taxes	(3,478)	(0.1)%	54,590	1.6 %
Tax (benefit) expense	(11,196)	(0.3)%	16,031	0.5 %
Net income	7,718	0.2 %	38,559	1.1 %
Less: Net income attributable to noncontrolling interests	3,762	0.1 %	2,983	0.1 %
Net income attributable to Abercrombie & Fitch Co.	<u>\$ 3,956</u>	<u>0.1 %</u>	<u>\$ 35,576</u>	<u>1.0 %</u>
Net income per share attributable to Abercrombie & Fitch Co.:				
Basic	\$ 0.06		\$ 0.52	
Diluted	\$ 0.06		\$ 0.51	
Weighted-average shares outstanding:				
Basic	67,878		68,880	
Diluted	68,284		69,417	

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

	<u>January 28, 2017</u>	<u>January 30, 2016</u>
<u>ASSETS</u>		
Current assets:		
Cash and equivalents	\$ 547,189	\$ 588,578
Receivables	93,384	56,868
Inventories, net	399,795	436,701
Other current assets	98,932	96,833
Total current assets	1,139,300	1,178,980
Property and equipment, net	824,738	894,178
Other assets	331,719	359,881
TOTAL ASSETS	<u>\$ 2,295,757</u>	<u>\$ 2,433,039</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 187,017	\$ 184,175
Accrued expenses	273,044	321,237
Short-term portion of deferred lease credits	20,076	23,303
Income taxes payable	5,863	5,988
Total current liabilities	486,000	534,703
Long-term liabilities:		
Long-term portion of deferred lease credits	76,321	89,256
Long-term portion of borrowings, net	262,992	286,235
Leasehold financing obligations	46,397	47,440
Other liabilities	172,008	179,683
Total long-term liabilities	557,718	602,614
Total Abercrombie & Fitch Co. stockholders' equity	1,243,435	1,291,063
Noncontrolling interests	8,604	4,659
Total stockholders' equity	1,252,039	1,295,722
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 2,295,757</u>	<u>\$ 2,433,039</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. In addition, 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. 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 Adjusted Non-GAAP Financial Measures
Fifty-Two Weeks Ended January 28, 2017
(in thousands, except per share data)
(Unaudited)

	<u>GAAP ⁽¹⁾</u>	<u>Excluded Items</u>	<u>Adjusted Non-GAAP</u>
Marketing, general and administrative expense ⁽²⁾	\$ 453,202	\$ (6,000)	\$ 459,202
Asset impairment ⁽³⁾	7,930	6,356	1,574
Other operating income, net ⁽⁴⁾	(26,212)	(12,282)	(13,930)
Operating income	15,188	(11,926)	3,262
Loss before taxes	(3,478)	(11,926)	(15,404)
Tax benefit ⁽⁵⁾	<u>(11,196)</u>	<u>(3,900)</u>	<u>(15,096)</u>
Net income (loss) attributable to Abercrombie & Fitch Co.	\$ 3,956	\$ (8,026)	\$ (4,070)
Net income (loss) per diluted share attributable to Abercrombie & Fitch Co.	\$ 0.06	\$ (0.12)	\$ (0.06)
Diluted Weighted-Average Shares Outstanding	68,284		67,878

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

⁽²⁾ Excluded Items consist of benefits of \$6.0 million related to an indemnification recovery of certain legal settlements recognized in the second quarter of Fiscal 2015.

⁽³⁾ Excluded Items consist of charges of \$6.4 million related to a store whose asset carrying value exceeded fair value.

⁽⁴⁾ Excluded Items consist of benefits of \$12.3 million related to the settlement of certain economic loss claims.

⁽⁵⁾ The tax effect of excluded items is computed as the difference between the effective tax rate calculated with and without the non-GAAP adjustments on income (loss) before taxes and provision for income taxes.

Abercrombie & Fitch Co.
Schedule of Adjusted Non-GAAP Financial Measures
Thirteen Weeks Ended January 30, 2016
(in thousands, except per share data)
(Unaudited)

	GAAP ⁽¹⁾	Excluded Items	Adjusted Non-GAAP
Gross profit ⁽²⁾	\$ 676,345	\$ (1,020)	\$ 675,325
Other operating loss (income), net ⁽³⁾	577	2,211	(1,634)
Operating income	120,083	1,191	121,274
Income before taxes	115,627	1,191	116,818
Tax expense ⁽⁴⁾	56,719	(14,775)	41,944
Net income attributable to Abercrombie & Fitch Co.	\$ 57,741	\$ 15,966	\$ 73,707
Net income per diluted share attributable to Abercrombie & Fitch Co.	\$ 0.85	\$ 0.23	\$ 1.08
Diluted Weighted-Average Shares Outstanding	68,243		68,243

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

⁽²⁾ Excluded Items consist of benefits of \$1.0 million related to recovery on inventory previously written down.

⁽³⁾ Excluded Items consist of charges of \$2.2 million related to a release of a cumulative translation adjustment as the company substantially completed the liquidation of its Australian operations.

⁽⁴⁾ The tax effect of excluded items is computed as the difference between the effective tax rate calculated with and without the non-GAAP adjustments on income before taxes and provision for income taxes.

Abercrombie & Fitch Co.
Schedule of Adjusted Non-GAAP Financial Measures
Fifty-Two Weeks Ended January 30, 2016
(in thousands, except per share data)
(Unaudited)

	<u>GAAP ⁽¹⁾</u>	<u>Excluded Items</u>	<u>Adjusted Non-GAAP</u>
Gross profit ⁽²⁾	\$ 2,157,543	\$ 20,647	\$ 2,178,190
Stores and distribution expense ⁽³⁾	1,604,214	6,665	1,597,549
Marketing, general and administrative expense ⁽⁴⁾	470,321	17,523	452,798
Restructuring benefit ⁽⁵⁾	(1,598)	(1,598)	—
Asset impairment ⁽⁶⁾	18,209	18,209	—
Other operating income, net ⁽⁷⁾	(6,441)	2,211	(8,652)
Operating income	72,838	63,657	136,495
Income before taxes	54,590	63,657	118,247
Tax expense ⁽⁸⁾	16,031	21,186	37,217
Net income attributable to Abercrombie & Fitch Co.	\$ 35,576	\$ 42,471	\$ 78,047
Net income per diluted share attributable to Abercrombie & Fitch Co.	\$ 0.51	\$ 0.61	\$ 1.12
Diluted Weighted-Average Shares Outstanding	69,417		69,417

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

⁽²⁾ Excluded Items consist of charges of \$20.6 million related to an inventory write-down, net of recoveries.

⁽³⁾ Excluded Items consist of charges of \$4.2 million related to accelerated depreciation and disposal costs associated with a decision to discontinue the use of certain store fixtures, \$1.8 million related to lease termination and store closure costs and \$0.7 million related to the company's profit improvement initiative.

⁽⁴⁾ Excluded Items consist of charges of \$15.8 million related to legal settlement charges and \$1.8 million related to the company's profit improvement initiative.

⁽⁵⁾ Excluded Items consist of benefits of \$1.6 million related to the Gilly Hicks brand.

⁽⁶⁾ Excluded Items consist of charges of \$12.1 million related to stores whose asset carrying value exceeded fair value, \$4.5 million related to the discontinued use of certain store fixtures and \$1.6 million related to a company-owned aircraft which was sold in the second quarter of Fiscal 2015.

⁽⁷⁾ Excluded Items consist of charges of \$2.2 million related to a release of a cumulative translation adjustment as the company substantially completed the liquidation of its Australian operations.

⁽⁸⁾ The tax effect of excluded items is computed as the difference between the effective tax rate calculated with and without the non-GAAP adjustments on income before taxes and provision for income taxes.

Abercrombie & Fitch Co.
Store Count Activity

Thirteen Weeks Ended January 28, 2017

	Abercrombie ⁽¹⁾⁽²⁾		Hollister ⁽³⁾		Total	
	United States	International	United States	International	United States	International
October 29, 2016	333	41	412	144	745	185
New	2	4	—	1	2	5
Closed	(24)	(1)	(14)	—	(38)	(1)
January 28, 2017	311	44	398	145	709	189

Fifty-Two Weeks Ended January 28, 2017

	Abercrombie ⁽¹⁾⁽²⁾		Hollister ⁽³⁾		Total	
	United States	International	United States	International	United States	International
January 30, 2016	340	39	414	139	754	178
New	5	6	3	6	8	12
Closed	(34)	(1)	(19)	—	(53)	(1)
January 28, 2017	311	44	398	145	709	189

⁽¹⁾ Includes Abercrombie & Fitch and abercrombie kids brands.

⁽²⁾ Excludes one international franchise store as of January 28, 2017, October 29, 2016 and January 30, 2016.

⁽³⁾ Excludes three international franchise stores as of January 28, 2017 and October 29, 2016, and excludes two international franchise stores as of January 30, 2016.

Abercrombie & Fitch Co.
Financial Information
(Unaudited)
(in thousands, except per share data and store data)

	Fiscal 2015								Fiscal 2016				
	2012	2013	2014	Q1	Q2	Q3	Q4	2015	Q1	Q2	Q3	Q4	2016
Net sales	\$4,510,805	\$4,116,897	\$3,744,030	\$ 709,422	\$ 817,756	\$ 878,572	\$1,112,930	\$3,518,680	\$ 685,483	\$ 783,160	\$ 821,734	\$1,036,363	\$3,326,740
Cost of sales, exclusive of depreciation and amortization	1,694,096	1,541,462	1,430,460	297,873	307,894	318,785	436,585	1,361,137	259,762	306,053	310,995	421,362	1,298,172
Gross profit	2,816,709	2,575,435	2,313,570	411,549	509,862	559,787	676,345	2,157,543	425,721	477,107	510,739	615,001	2,028,568
Stores and distribution expense	1,980,519	1,907,687	1,703,051	391,638	389,193	392,942	430,441	1,604,214	369,118	382,917	386,609	439,816	1,578,460
Marketing, general and administrative expense	473,883	481,784	458,820	107,533	119,846	117,698	125,244	470,321	114,447	111,719	105,307	121,729	453,202
Restructuring charge (benefit)	—	81,500	8,431	(1,598)	—	—	—	(1,598)	—	—	—	—	—
Asset impairment	7,407	46,715	44,988	6,133	—	12,076	—	18,209	—	6,356	—	1,574	7,930
Other operating (income) expense, net	(19,333)	(23,074)	(15,239)	(1,960)	(1,139)	(3,919)	577	(6,441)	(2,933)	(13,080)	(822)	(9,377)	(26,212)
Operating income (loss)	374,233	80,823	113,519	(90,197)	1,962	40,990	120,083	72,838	(54,911)	(10,805)	19,645	61,259	15,188
Interest expense, net	7,288	7,546	14,365	4,639	4,567	4,586	4,456	18,248	4,506	4,741	4,609	4,810	18,666
Income (loss) before taxes	366,945	73,277	99,154	(94,836)	(2,605)	36,404	115,627	54,590	(59,417)	(15,546)	15,036	56,449	(3,478)
Tax expense (benefit)	129,934	18,649	47,333	(31,590)	(3,217)	(5,881)	56,719	16,031	(20,787)	(3,515)	6,762	6,344	(11,196)
Net income (loss)	237,011	54,628	51,821	(63,246)	612	42,285	58,908	38,559	(38,630)	(12,031)	8,274	50,105	7,718
Less: Net income attributable to noncontrolling interests	—	—	—	—	1,422	394	1,167	2,983	957	1,098	393	1,314	3,762
Net income (loss) attributable to Abercrombie & Fitch Co.	\$ 237,011	\$ 54,628	\$ 51,821	\$ (63,246)	\$ (810)	\$ 41,891	\$ 57,741	\$ 35,576	\$ (39,587)	\$ (13,129)	\$ 7,881	\$ 48,791	\$ 3,956

	2012	2013	2014	Fiscal 2015				2015	Fiscal 2016				2016
				Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
Net income (loss) per share attributable to Abercrombie & Fitch Co.:													
Basic	\$ 2.89	\$ 0.71	\$ 0.72	\$ (0.91)	\$ (0.01)	\$ 0.61	\$ 0.86	\$ 0.52	\$ (0.59)	\$ (0.19)	\$ 0.12	\$ 0.72	\$ 0.06
Diluted	\$ 2.85	\$ 0.69	\$ 0.71	\$ (0.91)	\$ (0.01)	\$ 0.60	\$ 0.85	\$ 0.51	\$ (0.59)	\$ (0.19)	\$ 0.12	\$ 0.71	\$ 0.06
Weighted-average shares outstanding:													
Basic	81,940	77,157	71,785	69,510	69,713	68,866	67,432	68,880	67,625	67,944	67,975	67,970	67,878
Diluted	83,175	78,666	72,937	69,510	69,713	69,265	68,243	69,417	67,625	67,944	68,277	68,299	68,284
Abercrombie comparable sales ⁽¹⁾			(5)%	(9)%	(7)%	(5)%	(2)%	(6)%	(8)%	(7)%	(14)%	(13)%	(11)%
Hollister comparable sales	(1)%	(14)%	(10)%	(6)%	(1)%	3 %	4 %	0 %	0 %	(2)%	0 %	1 %	0 %
Comparable sales ⁽²⁾	(1)%	(11)%	(8)%	(8)%	(4)%	(1)%	1 %	(3)%	(4)%	(4)%	(6)%	(5)%	(5)%
Shares outstanding	78,445	76,402	69,352	69,557	69,600	67,153	67,348	67,348	67,605	67,666	67,683	67,758	67,758
Number of stores - end of period ⁽³⁾	1,041	1,006	969	962	954	965	932	932	925	926	930	898	898
Gross square feet - end of period	7,958	7,736	7,517	7,456	7,434	7,477	7,292	7,292	7,209	7,209	7,219	7,007	7,007

⁽¹⁾ Abercrombie includes the Company's Abercrombie & Fitch and abercrombie kids brands.

⁽²⁾ Comparable sales are calculated on a constant currency basis and exclude Gilly Hicks beginning in Q4 of Fiscal 2014.

⁽³⁾ Prior period store counts have been restated to count multi-brand outlet stores as a single store.