

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
ABERCROMBIE & FITCH CO.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Thousands, except per share amounts)

	Fiscal 2017	Fiscal 2016	Fiscal 2015
Net sales	\$ 3,492,690	\$ 3,326,740	\$ 3,518,680
Cost of sales, exclusive of depreciation and amortization	1,408,848	1,298,172	1,361,137
Gross profit	2,083,842	2,028,568	2,157,543
Stores and distribution expense	1,542,425	1,578,460	1,604,214
Marketing, general and administrative expense	471,914	453,202	470,321
Restructuring benefit	—	—	(1,598)
Asset impairment	14,391	7,930	18,209
Other operating income, net	(16,938)	(26,212)	(6,441)
Operating income	72,050	15,188	72,838
Interest expense, net	16,889	18,666	18,248
Income (loss) before taxes	55,161	(3,478)	54,590
Income tax expense (benefit)	44,636	(11,196)	16,031
Net income	10,525	7,718	38,559
Less: Net income attributable to noncontrolling interests	3,431	3,762	2,983
Net income attributable to A&F	\$ 7,094	\$ 3,956	\$ 35,576
Net income per share attributable to A&F			
Basic	\$ 0.10	\$ 0.06	\$ 0.52
Diluted	\$ 0.10	\$ 0.06	\$ 0.51
Weighted-average shares outstanding			
Basic	68,391	67,878	68,880
Diluted	69,403	68,284	69,417
Dividends declared per share			
	\$ 0.80	\$ 0.80	\$ 0.80
Other comprehensive income (loss)			
Foreign currency translation, net of tax	\$ 41,180	\$ (6,931)	\$ (22,516)
Derivative financial instruments, net of tax	(14,932)	248	(8,523)
Other comprehensive income (loss)	26,248	(6,683)	(31,039)
Comprehensive income	36,773	1,035	7,520
Less: Comprehensive income attributable to noncontrolling interests	3,431	3,762	2,983
Comprehensive income (loss) attributable to A&F	\$ 33,342	\$ (2,727)	\$ 4,537

The accompanying Notes are an integral part of these Consolidated Financial Statements.

ABERCROMBIE & FITCH CO.
CONSOLIDATED BALANCE SHEETS
(Thousands, except par value amounts)

	<u>February 3, 2018</u>	<u>January 28, 2017</u>
<u>Assets</u>		
Current assets:		
Cash and equivalents	\$ 675,558	\$ 547,189
Receivables	79,724	93,384
Inventories	424,393	399,795
Other current assets	84,863	98,932
Total current assets	1,264,538	1,139,300
Property and equipment, net	738,182	824,738
Other assets	322,972	331,719
Total assets	<u>\$ 2,325,692</u>	<u>\$ 2,295,757</u>
<u>Liabilities and stockholders' equity</u>		
Current liabilities:		
Accounts payable	\$ 168,868	\$ 187,017
Accrued expenses	308,601	273,044
Short-term portion of deferred lease credits	19,751	20,076
Income taxes payable	10,326	5,863
Total current liabilities	507,546	486,000
Long-term liabilities:		
Long-term portion of deferred lease credits	75,648	76,321
Long-term portion of borrowings, net	249,686	262,992
Leasehold financing obligations	50,653	46,397
Other liabilities	189,688	172,008
Total long-term liabilities	565,675	557,718
Stockholders' equity		
Class A Common Stock - \$0.01 par value: 150,000 shares authorized and 103,300 shares issued at each of February 3, 2018 and January 28, 2017	1,033	1,033
Paid-in capital	406,351	396,590
Retained earnings	2,420,552	2,474,703
Accumulated other comprehensive loss, net of tax	(95,054)	(121,302)
Treasury stock, at average cost: 35,105 and 35,542 shares at February 3, 2018 and January 28, 2017, respectively	(1,490,503)	(1,507,589)
Total Abercrombie & Fitch Co. stockholders' equity	1,242,379	1,243,435
Noncontrolling interests	10,092	8,604
Total stockholders' equity	1,252,471	1,252,039
Total liabilities and stockholders' equity	<u>\$ 2,325,692</u>	<u>\$ 2,295,757</u>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

ABERCROMBIE & FITCH CO.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Thousands)

	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>
<u>Operating activities</u>			
Net income	\$ 10,525	\$ 7,718	\$ 38,559
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	194,549	195,414	213,680
Asset impairment	14,391	7,930	18,209
Loss on disposal	7,460	3,836	11,082
Amortization of deferred lease credits	(22,149)	(24,557)	(28,619)
Provision for (benefit from) deferred income taxes	37,485	(7,150)	7,537
Share-based compensation	22,108	22,120	28,359
Changes in assets and liabilities			
Inventories	(18,298)	24,452	21,253
Accounts payable and accrued expenses	13,622	(32,647)	51,050
Lessor construction allowances	17,934	10,288	11,082
Income taxes	13,698	(8,528)	(45,027)
Long-term lease deposits	(810)	26,649	(1,237)
Other assets	6,107	(32,291)	9,204
Other liabilities	(10,918)	(7,927)	(25,123)
Net cash provided by operating activities	<u>285,704</u>	<u>185,307</u>	<u>310,009</u>
<u>Investing activities</u>			
Purchases of property and equipment	(107,001)	(140,844)	(143,199)
Proceeds from sale of property and equipment	203	4,098	11,109
Other investing activities	—	—	9,523
Net cash used for investing activities	<u>(106,798)</u>	<u>(136,746)</u>	<u>(122,567)</u>
<u>Financing activities</u>			
Purchase of treasury stock	—	—	(50,033)
Repayments of borrowings	(15,000)	(25,000)	(6,000)
Dividends paid	(54,392)	(54,066)	(55,145)
Other financing activities	(5,421)	(5,443)	4,235
Net cash used for financing activities	<u>(74,813)</u>	<u>(84,509)</u>	<u>(106,943)</u>
Effect of exchange rates on cash	24,276	(5,441)	(12,629)
Net increase (decrease) in cash and equivalents	128,369	(41,389)	67,870
Cash and equivalents, beginning of period	547,189	588,578	520,708
Cash and equivalents, end of period	<u>\$ 675,558</u>	<u>\$ 547,189</u>	<u>\$ 588,578</u>
<u>Significant noncash investing activities</u>			
Change in accrual for construction in progress	<u>\$ (22,458)</u>	<u>\$ (6,104)</u>	<u>\$ 12,859</u>
<u>Supplemental information</u>			
Cash paid for interest	<u>\$ 13,381</u>	<u>\$ 15,254</u>	<u>\$ 16,060</u>
Cash paid for income taxes	<u>\$ 16,230</u>	<u>\$ 30,984</u>	<u>\$ 49,745</u>
Cash received from income taxes	<u>\$ 27,934</u>	<u>\$ 7,333</u>	<u>\$ 1,043</u>

The accompanying Notes are an integral part of these Consolidated Financial Statements.