

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ABERCROMBIE & FITCH CO.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Thousands, except per share amounts)

	2015	2014	2013
Net sales	\$ 3,518,680	\$ 3,744,030	\$ 4,116,897
Cost of sales, exclusive of depreciation and amortization	1,361,137	1,430,460	1,541,462
Gross profit	2,157,543	2,313,570	2,575,435
Stores and distribution expense	1,604,214	1,703,051	1,907,687
Marketing, general and administrative expense	470,321	458,820	481,784
Restructuring (benefit) charge	(1,598)	8,431	81,500
Asset impairment	18,209	44,988	46,715
Other operating income, net	(6,441)	(15,239)	(23,074)
Operating income	72,838	113,519	80,823
Interest expense, net	18,248	14,365	7,546
Income before taxes	54,590	99,154	73,277
Income tax expense	16,031	47,333	18,649
Net income	38,559	51,821	54,628
Less: Net income attributable to noncontrolling interests	2,983	—	—
Net income attributable to A&F	\$ 35,576	\$ 51,821	\$ 54,628
Net income per share attributable to A&F			
Basic	\$ 0.52	\$ 0.72	\$ 0.71
Diluted	\$ 0.51	\$ 0.71	\$ 0.69
Weighted-average shares outstanding			
Basic	68,880	71,785	77,157
Diluted	69,417	72,937	78,666
Dividends declared per share	\$ 0.80	\$ 0.80	\$ 0.80
Other comprehensive loss			
Foreign currency translation	\$ (22,516)	\$ (77,929)	\$ (12,683)
Derivative financial instruments, net of tax	(8,523)	15,266	5,054
Other comprehensive loss	(31,039)	(62,663)	(7,629)
Comprehensive income (loss)	7,520	(10,842)	46,999
Less: Comprehensive income attributable to noncontrolling interests	2,983	—	—
Comprehensive income (loss) attributable to A&F	\$ 4,537	\$ (10,842)	\$ 46,999

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

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

	<u>January 30, 2016</u>	<u>January 31, 2015</u>
<u>Assets</u>		
Current assets:		
Cash and equivalents	\$ 588,578	\$ 520,708
Receivables	56,868	52,910
Inventories, net	436,701	460,794
Deferred income taxes, net	—	13,986
Other current assets	96,833	116,574
Total current assets	1,178,980	1,164,972
Property and equipment, net	894,178	967,001
Other assets	359,881	373,194
Total assets	<u>\$ 2,433,039</u>	<u>\$ 2,505,167</u>
<u>Liabilities and stockholders' equity</u>		
Current liabilities:		
Accounts payable	\$ 184,175	\$ 141,685
Accrued expenses	321,237	282,736
Short-term portion of deferred lease credits	23,303	26,629
Income taxes payable	5,988	32,804
Short-term portion of borrowings, net	—	2,102
Total current liabilities	534,703	485,956
Long-term liabilities:		
Long-term portion of deferred lease credits	89,256	106,393
Long-term portion of borrowings, net	286,235	291,310
Leasehold financing obligations	47,440	50,521
Other liabilities	179,683	181,286
Total long-term liabilities	602,614	629,510
Stockholders' equity		
Class A Common Stock - \$0.01 par value: 150,000 shares authorized and 103,300 shares issued at each of January 30, 2016 and January 31, 2015	1,033	1,033
Paid-in capital	407,029	434,137
Retained earnings	2,530,196	2,550,673
Accumulated other comprehensive loss, net of tax	(114,619)	(83,580)
Treasury stock, at average cost: 35,952 and 33,948 shares at January 30, 2016 and January 31, 2015, respectively	(1,532,576)	(1,512,562)
Total Abercrombie & Fitch Co. stockholders' equity	1,291,063	1,389,701
Noncontrolling interests	4,659	—
Total stockholders' equity	1,295,722	1,389,701
Total liabilities and stockholders' equity	<u>\$ 2,433,039</u>	<u>\$ 2,505,167</u>

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

	2015	2014	2013
<u>Operating activities</u>			
Net income	\$ 38,559	\$ 51,821	\$ 54,628
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	213,680	226,421	235,240
Asset impairment	18,209	47,084	84,655
Loss on disposal	11,082	5,794	16,909
Amortization of deferred lease credits	(28,619)	(38,437)	(45,895)
Provision for (Benefit from) deferred income taxes	7,469	1,676	(41,263)
Share-based compensation	28,359	23,027	53,516
Changes in assets and liabilities			
Inventories, net	21,253	62,854	(103,304)
Accounts payable and accrued expenses	51,050	(37,394)	(73,749)
Lessor construction allowances	11,082	13,182	20,523
Income taxes	(45,027)	(34,659)	(55,456)
Other assets	7,967	6,888	44,138
Other liabilities	(25,123)	(15,777)	(14,449)
Net cash provided by operating activities	309,941	312,480	175,493
<u>Investing activities</u>			
Purchases of property and equipment	(143,199)	(174,624)	(163,924)
Proceeds from sale of property and equipment	11,109	—	—
Other investing activities	9,523	(450)	(9,937)
Net cash used for investing activities	(122,567)	(175,074)	(173,861)
<u>Financing activities</u>			
Purchase of treasury stock	(50,033)	(285,038)	(115,806)
Repayments of borrowings	(6,000)	(195,750)	(15,000)
Proceeds from borrowings	—	357,000	150,000
Other financing activities	4,303	(303)	1,898
Dividends paid	(55,145)	(57,362)	(61,923)
Net cash used for financing activities	(106,875)	(181,453)	(40,831)
Effect of exchange rates on cash	(12,629)	(35,361)	(4,190)
Net increase (decrease) in cash and equivalents	67,870	(79,408)	(43,389)
Cash and equivalents, beginning of period	520,708	600,116	643,505
Cash and equivalents, end of period	\$ 588,578	\$ 520,708	\$ 600,116
<u>Significant non-cash investing activities</u>			
Change in accrual for construction in progress	\$ 12,859	\$ 6,525	\$ 10,820
<u>Supplemental information</u>			
Cash paid for interest	\$ 16,060	\$ 18,609	\$ 4,565
Cash paid for income taxes, net of refunds	\$ 48,702	\$ 74,685	\$ 116,312

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