

**Abercrombie & Fitch (Denmark) ApS**

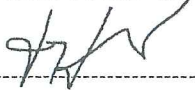
**Central Business Registration No: 31178975**

**Annual report 2014/15**

The Annual General Meeting adopted the annual report on

16/6/2015

**Chairman of the General Meeting**



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Name: Boris Djordjevic

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## **Entity details**

### **Entity**

Abercrombie & Fitch (Denmark) ApS  
c/o Harbourhouse Sundkrogsgade 21  
2100 Copenhagen Ø

Central Business Registration No: 31178975

Registered in: Copenhagen

Financial year: 01.02.2014 - 31.01.2015

### **Executive Board**

Boris Djordjevic

Robert Everett Bostrom

### **Auditors**

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
2900 Hellerup

## Statement by Management on the annual report

The Executive Board has today considered and approved the annual report of Abercrombie & Fitch (Denmark) ApS for the financial year 01.02.2014 - 31.01.2015.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.01.2015 and of the results of its operations for the financial year 01.02.2014 - 31.01.2015.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 16/6/2015

**Executive Board**



Boris Djordjevic

Robert Everett Bostrom

## **Independent auditor's report**

To the Shareholders of Abercrombie & Fitch (Denmark) ApS.

### **Report on the Financial Statements**

We have audited the Financial Statements of Abercrombie & Fitch (Denmark) ApS for the financial year 1 February 2014 – 31 January 2015, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

### **Opinion**

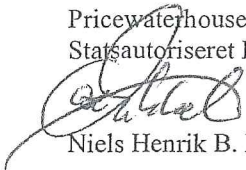
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 January 2015 and of the results of the Company operations for the financial year 1 February 2014 – 31 January 2015 in accordance with the Danish Financial Statements Act.

**Statement on Management's Review**

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Financial Statements.

Copenhagen, 11 June 2015

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab

  
Niels Henrik B. Mikkelsen

State Authorised Public Accountant

**Management commentary – financial highlights**

	2014/15	2013/14	2012/13	2011/12	2010/11
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Financial highlights</b>					
<b>Key Figures</b>					
Revenue	59.591	62.539	64.427	67.350	20.367
Gross profit	25.527	33.584	34.277	36.165	3.845
Operating profit/ (loss)	3.615	4.641	4.706	4.043	(7.627)
Net financial result	(1.105)	(1.805)	(1.508)	(1.518)	(204)
Profit/ (loss) for the year	1.178	2.836	3.198	2.525	(7.832)
Total assets	64.576	93.636	90.089	97.473	89.777
Investments in property and equipment	42	90	156	188	56.537
Equity	50.846	84.668	81.832	78.634	76.109

**Management commentary - ratios**

	2014/15	2013/14	2012/13	2011/12	2010/11
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Ratios</b>					
Return on equity (%)	1,7	3,3	4,0	3,3	(18,6)
Solvency ratio (%)	78,7	90,4	90,8	80,7	84,8

## **Management commentary**

### **Primary activities**

Abercrombie & Fitch (Denmark) ApS is a specialty retailer that operates a store selling casual sportswear apparel, including knit and woven shirts, graphic t-shirts, fleece, jeans and woven pants, shorts, sweaters, outerwear, personal care products and accessories for men and women under the Abercrombie and Fitch brand through its flagship store in Copenhagen which opened in November 2010.

### **Development in activities and finances**

The Company began its retail operations at its Copenhagen location on 4 November 2010. The results for 2014/2015 are considered satisfactory.

Revenues for 2014/2015 were 59.6 million DKK as compared to 62.5 million DKK and 64.4 million DKK for 2013/2014 and 2012/2013, respectively. Profit for 2014/2015 was 1.2 million DKK as compared to profit of 2.8 million DKK for 2013/2014 and of 3.2 million DKK for 2012/2013.

Assets as of 31 January 2015 were 64.6 million DKK compared to 93.6 million DKK and 90.1 million DKK as of 31 January 2014 and 31 January 2013, respectively. Total assets included 30.2 million DKK of property and equipment as of 31 January 2015 compared to 37.6 million DKK and 45.5 million DKK as of 31 January 2014 and 31 January 2013, respectively. Equity as of 31 January 2015 was 50.8 million DKK compared to 84.7 million DKK and 81.8 million DKK as of 31 January 2014 and 31 January 2013, respectively.

### **Uncertainty relating to recognition and measurement**

Abercrombie & Fitch (Denmark) ApS has no areas where there is material uncertainty in recognition and measurement.

### **Unusual circumstances affecting recognition and measurement**

There have been no unusual circumstances that have impacted recognition and measurement.

### **Principal risks and uncertainties**

The following factors could affect our financial performance and could cause actual results to differ materially from those expressed or implied in any of the forward-looking statements:

- changes in global economic and financial conditions, and the resulting impact on consumer confidence and consumer spending, could have a material adverse effect on our business, results of operations and liquidity;
- the inability to manage our inventory commensurate with customer demand and changing fashion trends could adversely impact our sales levels and profitability;

## Management commentary

### Principal risks and uncertainties (continued)

- our ultimate parent company, Abercrombie & Fitch Co. is currently involved in a selection process for a new Chief Executive Officer and if this selection process is delayed our business could be negatively impacted;
- failure to realize the anticipated benefits of Abercrombie & Fitch Co.'s recent transition to a brand-based organizational model could have a negative impact on our business;
- our inability to successfully implement our strategic plans could have a negative impact on our growth and profitability;
- our business could suffer if our information technology systems are disrupted or cease to operate effectively;
- we may be exposed to risks and costs associated with cyber-attacks, credit card fraud and identity theft that would cause us to incur unexpected expenses and loss of revenues;
- our market share may be negatively impacted by increasing competition and pricing pressures from companies with brands or merchandise competitive with ours;
- our ability to attract customers to our stores depends, in part, on the success of the area attractions in which our stores are located;
- our failure to protect our reputation could have a material adverse effect on our brands;
- we rely on the experience and skills of Abercrombie & Fitch Co.'s senior executive officers, the loss of whom could have a material adverse effect on our business;
- we may be exposed to liabilities under the United States Foreign Corrupt Practices Act, and any determination that we violated the United States Foreign Corrupt Practices Act could have a material adverse effect on our business;
- our facilities, systems and stores are vulnerable to natural disasters, pandemic disease and other unexpected events, any of which could result in an interruption to our business and adversely affect our operating results;
- our litigation exposure could have a material adverse effect on our financial condition and results of operations;
- our inability or failure to adequately protect our trademarks could have a negative impact on our brand image and limit our ability to penetrate new markets;
- fluctuations in our tax obligations and effective tax rate may result in volatility in our operating results;
- extreme weather conditions and the seasonal nature of our business may cause net sales to fluctuate and negatively impact our results of operations;
- the impact of war or acts of terrorism could have a material adverse effect on our operating results and financial condition;
- changes in the regulatory or compliance landscape could adversely affect our business and results of operations;
- compliance with changing regulations and standards for accounting, corporate governance and public disclosure could adversely affect our business, results of operations and reported financial results.

**Events after the balance sheet date**

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

**Expected development in 2015**

There are no significant changes planned in the Company's operations in the foreseeable future.

## **Accounting policies**

### **Reporting class**

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (middle).

Referring to section 86 of the Danish Financial Statements Act, the Company has opted not to prepare a cash flow statement as a cash flow statement is prepared for the ultimate parent company Abercrombie & Fitch Co.

The accounting policies applied for these financial statements are consistent with those applied last year.

The annual Report for 2014/2015 is presented in DKK '000.

### **Recognition and measurement**

Assets are recognized in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognized in the income statement when earned, whereas costs are recognized by the amounts attributable to this financial year.

### **Translation policies**

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

## **Accounting policies (continued)**

### **Income statement**

#### **Revenue**

Revenue from the sale of goods for resale is recognized in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognized net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed. The company also reserves for sales returns through estimates based on historical experience.

#### **Other operating income and expenses**

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including gains and losses on the sale of property and equipment.

#### **Cost of sales**

Cost of sales comprises costs of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

#### **Other external expenses**

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs.

#### **Staff costs**

Staff costs comprise salaries and wages as well as social security contributions, pension contributions for Entity staff.

#### **Amortization, depreciation and impairment losses**

Amortization, depreciation and impairment losses relating to property and equipment comprise amortization, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing. There have not been impairment losses recognized to date on the property and equipment.

#### **Other financial income**

Other financial income comprises interest income, payables and transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme.

#### **Other financial expenses**

Other financial expenses are comprised of interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies, amortization of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme.

#### **Income taxes**

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement for the portion attributable to the profit for the year and recognized directly in equity for the portion attributable to entries in equity.

## Accounting policies (continued)

### Balance sheet

#### Property and equipment

Other fixtures, fittings and equipment are measured at cost less accumulated depreciation and impairment losses. The Entity owns no land.

Cost is comprised of the acquisition price, costs directly attributable to the acquisition and preparation of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is taken on the basis of the following estimated useful lives of the assets:

- Other fixtures, fittings and equipment 3-7 years
- Leasehold improvements 4-10 years

Property and equipment are written down to the lower of recoverable amount or carrying amount.

#### Inventories

Inventories are measured at the lower of cost or market using weighted average cost method. Cost of goods for resale consists of purchase price plus delivery costs. The net realizable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

#### Receivables

Receivables are measured at amortized cost, usually equaling nominal value less write-downs for bad and doubtful debts.

#### Prepayments

Prepayments are comprised of incurred costs relating to subsequent financial years. Prepayments are measured at cost.

#### Cash

Cash is comprised of cash in hand and bank deposits.

#### Other provisions

Other provisions are comprised of asset retirement obligation and other payables.

Other provisions are recognized and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

A provision is made for goods estimated to be returned based on a historical experience.

## Accounting policies (continued)

### Operating leases

Lease payments on operating leases are recognized on a cash basis in the income statement over the term of the lease.

### Other financial liabilities

Other financial liabilities are measured at amortized cost, which usually corresponds to nominal value.

### Deferred income

Deferred income is comprised of received income for recognition in subsequent financial years. Deferred income is measured at historical value.

### Dividend

Dividend distribution proposed by management for the year is disclosed as a separate equity item.

## Financial highlights

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2010" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula
Return on equity (%)	$\frac{\text{Profit/ (loss) for the year} \times 100}{\text{Average equity}}$
Solvency ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$

### Ratios reflect:

#### Return on equity

The Entity's return on capital invested in the Entity by the owners.

#### Solvency ratio

The financial strength of the Entity.

**Income statement for 2014/15**

	Notes	2014/15 DKK'000	2013/14 DKK'000
<b>Gross profit</b>		<b>25.527</b>	<b>33.584</b>
Staff costs	1	(14.565)	(20.993)
Amortization, depreciation		(7.347)	(7.950)
<b>Operating profit</b>		<b>3.615</b>	<b>4.641</b>
Other financial income	2	137	107
Other financial expenses		(1.242)	(1.912)
<b>Profit from ordinary activities before tax</b>		<b>2.510</b>	<b>2.836</b>
Tax on profit from ordinary activities		1.332	-
<b>Profit for the year</b>		<b>1.178</b>	<b>2.836</b>
<b>Proposed distribution of profit</b>			
Retained earnings		(17.322)	(32.164)
Dividend distribution		18.500	35.000
		<b>1.178</b>	<b>2.836</b>

**Balance sheet at 31.01.2015**

	Notes	31.01.2015 DKK'000	31.01.2014 DKK'000
Other fixtures, fittings and equipment		8.776	11.761
Leasehold improvements		21.469	25.811
<b>Property and equipment</b>	3	<b>30.245</b>	<b>37.572</b>
<b>Fixed assets</b>		<b>30.245</b>	<b>37.572</b>
Goods for resale		4.343	3.664
<b>Inventory</b>		<b>4.343</b>	<b>3.664</b>
Receivables from group enterprises		100	7.755
Other receivables		770	453
Prepayments		1.193	1.142
<b>Receivables</b>		<b>2.063</b>	<b>9.350</b>
<b>Cash</b>		<b>27.925</b>	<b>43.050</b>
<b>Current assets</b>		<b>34.331</b>	<b>56.064</b>
<b>Assets</b>		<b>64.576</b>	<b>93.636</b>

**Balance sheet at 31.01.2015**

	Notes	31.01.2015 DKK'000	31.01.2014 DKK'000
Contributed capital	4	2.500	2.500
Retained earnings		29.846	47.168
Proposed dividend		18.500	35.000
<b>Equity</b>		<b>50.846</b>	<b>84.668</b>
Other provisions		1.544	1.544
<b>Provisions</b>		<b>1.544</b>	<b>1.544</b>
Trade payables		113	116
Payable to group enterprises		4.707	185
Income taxes		1.331	-
Other payables		2.787	3.565
Deferred income		3.248	3.558
<b>Current liabilities other than provisions</b>		<b>12.186</b>	<b>7.424</b>
<b>Liabilities other than provisions</b>		<b>12.186</b>	<b>7.424</b>
<b>Equity and liabilities</b>		<b>64.576</b>	<b>93.636</b>
Unrecognized rental and lease commitments	5		
Contingent assets	6		
Related parties with control	7		
Ownership	8		

## Statement of changes in equity for 2014/15

	Contributed capital DKK '000	Retained earnings DKK '000	Proposed dividend DKK '000	Total DKK '000
Equity beginning of year	2.500	47.168	35.000	84.668
Profit for the year	-	(17.322)	-	(17.322)
Dividend paid	-	-	(35.000)	(35.000)
Dividend distribution	-	-	18.500	18.500
Equity end of year	2.500	29.846	18.500	50.846

	2014/15 DKK'000	2013/14 DKK'000	2012/13 DKK'000	2011/12 DKK'000	2010/11 DKK'000
<b>Changes in contributed capital</b>					
Contributed capital beginning of year	2.500	2.500	2.500	2.500	1.000
Increase of capital	-	-	-	-	1.500
Contributed capital end of year	2.500	2.500	2.500	2.500	2.500

## Notes

### 1. Staff costs

	<u>2014/15</u> <u>DKK'000</u>	<u>2013/14</u> <u>DKK'000</u>
Salaries and wages	13.512	19.605
Pension costs	882	1.130
Other social security costs	171	258
	<u>14.565</u>	<u>20.993</u>

Executive Board have not received remuneration during financial years 2014/15 and 2013/14.

	<u>2014/15</u>	<u>2013/14</u>
Average number of full-time employees	<u>42</u>	<u>54</u>

### 2. Other financial income

	<u>2014/15</u> <u>DKK'000</u>	<u>2013/14</u> <u>DKK'000</u>
Financial income	<u>137</u>	<u>107</u>
	<u>137</u>	<u>107</u>

**Notes (continued)****3. Property and equipment**

	<b>Leasehold improvements DKK'000</b>	<b>Other fixtures, fittings and equipment DKK'000</b>
Cost beginning of year	40.864	22.085
Additions	-	42
Disposals	-	(53)
Other	-	-
<b>Cost end of year</b>	<b>40.864</b>	<b>22.074</b>
Depreciation beginning of year	(15.053)	(10.324)
Depreciation for the year	(4.342)	(3.005)
Reversals relating to disposals	-	31
<b>Depreciation end of year</b>	<b>(19.395)</b>	<b>(13.298)</b>
<b>Carrying amount end of year</b>	<b>21.469</b>	<b>8.776</b>

	<b>Number of shares</b>	<b>Par value DKK</b>	<b>Nominal value DKK'000</b>
<b>4. Contributed capital</b>			
Ordinary shares	2.500	1.000,00	2.500
	<b>2.500</b>		<b>2.500</b>

**5. Unrecognized rental and lease commitments**

	<b>2014/2015 DKK'000</b>	<b>2013/2014 DKK'000</b>
Commitments under rental agreement or leases until expiry	62.956	70.818

**6. Contingent assets**

The Company has not booked a deferred tax asset in the amount of 2.2 million DKK for fixed assets.

## Notes (continued)

### 7. Related parties with control

The immediate Parent Company is Abercrombie & Fitch Europe SA, Switzerland. The Company's ultimate Parent Company, which prepares consolidated financial statements into which the Company is incorporated as a subsidiary, is Abercrombie & Fitch Co.

The consolidated financial statements of Abercrombie & Fitch Co. can be obtained at the following address:

Abercrombie & Fitch Co.

6301 Fitch Path

New Albany, OH

USA

### 8. Ownership

The Company has registered the following shareholders to hold more than 5% of the voting share capital or of the nominal value of the share capital:

Abercrombie & Fitch Europe SA

Via Moree 6850 Mendrisio, Switzerland