Abercrombie & Fitch

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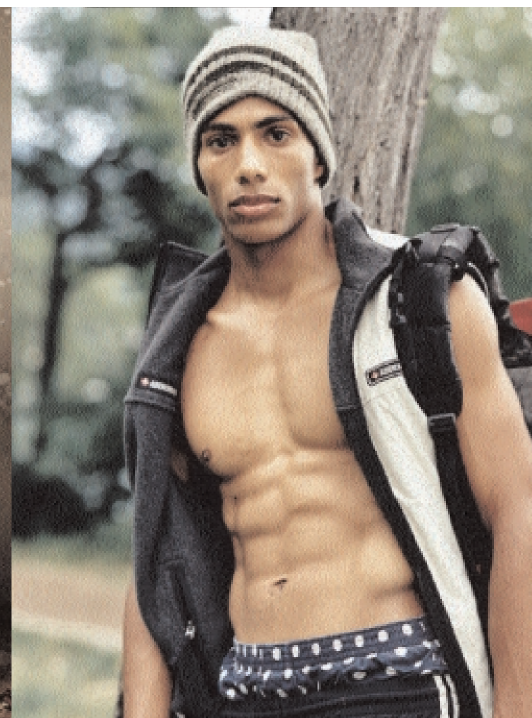
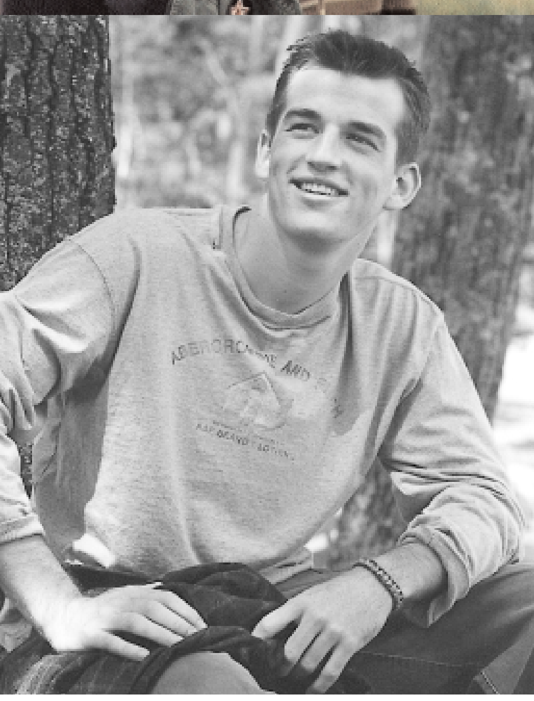




ABERCROMBIE



ABERCROMBIE

CHAIRMAN'S LETTER

Abercrombie & Fitch had a successful year. We posted another series of record setting quarters. But that's not why I'm so encouraged. We were successful this year because the A&F brand is more authentic and relevant than ever. The brand is our lifestyle, our focus—it ensures growth and promises stability. A great brand is a center of growth and revenue—it represents a relationship with customers. It's not a faddish chip to be cashed in on short-sighted gains.

The value of having a great brand is far-reaching and cannot be overstated—it's a snowball effect. The A&F label gives us the ability to evolve, creating endless growth opportunities. It helps us attract the brightest, most talented young people from around the country. It attracts millions to our website. It allows for greater profit margins. It lessens the risk of moving on new business concepts. It promotes innovation. It ensures long-term profitability. It adds built-in value to everything we produce. It accelerates growth. It stabilizes. It gives focus and direction. It produces an emotional response in consumers.

But emotional responses and aspirational lifestyles can't be faked. Authenticity fuels A&F's branded momentum. Our home office and stores are filled with our target customers—Abercrombie & Fitch merchandisers, designers and marketing teams are filled with fresh-faced, just-out-of-school kids from select universities around the country. Market research isn't forecasts and focus groups. We go to college campuses and specialized events around the country, talking, watching and hanging out with our customers. Few companies and even fewer competing brands can stake a legitimate claim to authenticity—it takes time and performance to develop a heritage, a meaning.

Peerless quality is and will remain the Abercrombie & Fitch standard. I got a reality check recently, a reminder that great brands aren't only about the intangibles of an aspirational lifestyle. I received a letter from a young guy who crashed his motorcycle on the highway, bumping, skimming and scraping to a stop. When the slide was over, he got up, brushed off his chinos and found his legs were in pretty good shape. And although we have no plans to go in the motorcycle apparel business, this customer said he was glad that we produce the finest quality goods available. Our heritage demands it.

Innovation and growth is on the agenda for the break of the new millennium, with strategies designed to fortify the longevity and power of the A&F label. The value of the Abercrombie & Fitch lifestyle to our customers has never been more real—and will make 1999 our most successful year ever.

Mike

Michael S. Jeffries
Chairman and Chief Executive Officer

Abercrombie & Fitch Co.

FINANCIAL SUMMARY

(Thousands except per share and per square foot amounts, ratios and store and associate data)

Fiscal Year	1998	1997	1996	1995*	1994	1993	1992
Summary of Operations							
Net Sales	$815,804	$521,617	$335,372	$235,659	$165,463	$110,952	$ 85,301
Gross Income	$343,951	$201,080	$123,766	$ 79,794	$ 56,820	$ 30,562	$ 13,413
Operating Income (Loss)	$166,958	$ 84,125	$ 45,993	$ 23,798	$ 13,751	$ (4,064)	$(10,190)
Operating Income (Loss) as a Percentage of Sales	20.5%	16.1%	13.7%	10.1%	8.3%	(3.7%)	(11.9%)
Net Income (Loss)	$102,062	$ 48,322	$ 24,674	$ 14,298	$ 8,251	$ (2,464)	$ (6,090)
Net Income (Loss) as a Percentage of Sales	12.5%	9.3%	7.4%	6.1%	5.0%	(2.2%)	(7.1%)
Per Share Results							
Net Income (Loss) Per Basic Share	$ 1.98	$ .95	$ .54	$ .33	$ .19	$ (.06)	$ (.14)
Net Income (Loss) Per Diluted Share	$ 1.92	$ .94	$ .54	$ .33	$ .19	$ (.06)	$ (.14)
Weighted Average Diluted Shares Outstanding	53,101	51,478	45,760	43,000	43,000	43,000	43,000
Other Financial Information							
Total Assets	$319,161	$183,238	$105,761	$ 87,693	$ 58,018	$ 48,882	$ 61,626
Return on Average Assets	41%	33%	26%	20%	15%	(4%)	(11%)
Capital Expenditures	$ 41,876	$ 29,486	$ 24,323	$ 24,526	$ 12,603	$ 4,694	$ 10,351
Long-Term Debt	–	$ 50,000	$ 50,000	–	–	–	–
Shareholders' Equity (Deficit)	$186,105	$ 58,775	$ 11,238	$(22,622)	$(37,070)	$(45,341)	$(42,877)
Comparable Store Sales Increase	35%	21%	13%	5%	15%	6%	8%
Retail Sales per Average Gross Square Foot	$ 483	$ 376	$ 306	$ 290	$ 284	$ 243	$ 221
Stores and Associates at End of Year							
Total Number of Stores Open	196	156	127	100	67	49	40
Gross Square Feet	1,791,000	1,522,000	1,229,000	962,000	665,000	499,000	415,000
Number of Associates	9,500	6,700	4,900	3,000	2,300	1,300	900

**Fifty-three week fiscal year.*

RESULTS OF OPERATIONS Net sales for the fourth quarter were $304.6 million, an increase of 44% from $212.1 million for the fourth quarter a year ago. Operating income was $98.7 million, up 67% compared to $59.1 million last year. Net income per diluted share was $1.12, up 65% from $.68 last year.

Net sales for the fiscal year ended January 30, 1999, increased 56% to $815.8 million from $521.6 million last year. Operating income for the year increased 99% to $167.0 million from $84.1 million in 1997. Net income per diluted share was $1.92 compared to $.94 a year ago, an increase of 104%.

FINANCIAL SUMMARY The following summarized financial data compares 1998 to the comparable periods for 1997 and 1996:

	1998	1997	1996	% Change 1998-1997	% Change 1997-1996
Net sales (millions)	$815.8	$521.6	$335.4	56%	56%
Increase in comparable store sales	35%	21%	13%		
Retail sales increase attributable to new and remodeled stores	21%	34%	29%		
Retail sales per average gross square foot	$ 483	$ 376	$ 306	28%	23%
Retail sales per average store (thousands)	$4,551	$3,653	$2,955	25%	24%
Average store size at year-end (gross square feet)	9,140	9,755	9,680	(6%)	1%
Gross square feet at year-end (thousands)	1,791	1,522	1,229	18%	24%
Number of stores					
Beginning of year	156	127	100		
Opened	41	30	29		
Closed	(1)	(1)	(2)		
End of year	196	156	127		

NET SALES Net sales for the fourth quarter of 1998 increased 44% to $304.6 million from $212.1 million in 1997. The increase was due to a comparable store sales increase of 26%, driven primarily by significantly higher transactions per store as compared to the fourth quarter of 1997. Comparable store sales increases were strong across both the men's and women's businesses and across all geographical regions of the country. The A&F Quarterly, a catalogue/magazine, accounted for 2.0% of net sales in the fourth quarter of 1998 as compared to 1.7% last year.

Fourth quarter 1997 net sales as compared to net sales for the fourth quarter 1996 increased 52% to $212.1 million, due to a 23% increase in comparable store sales and sales attributable to new and remodeled stores. Comparable store sales increases were strong in both the men's and the women's businesses as both were driven by a very strong knit business. Additionally, fourth quarter 1997 net sales included results from the first Holiday issue of the A&F Quarterly which accounted for 1.7% of total net sales.

Net sales for 1998 increased 56% to $815.8 million from $521.6 million a year ago. Sales growth resulted from a comparable store sales increase of 35% and the net addition of 40 new stores. Sales growth was strong across all major men's and women's merchandise categories. Net retail sales per gross square foot for the company increased 28%, principally from an increase in the number of transactions per store. The A&F Quarterly represented 1.8% of 1998 sales.

Net sales for 1997 increased 56% to $521.6 million over the same period in 1996. The sales increase was attributable to the net addition of 29 stores and a 21% comparable store sales increase. Comparable store sales increases were equally strong in both men's and women's businesses and their performance strength was broadly based across all major merchandise categories. Net sales per gross square foot for the total Company increased 23%, driven principally by an increase in the number of transactions per store.

GROSS INCOME Gross income, expressed as a percentage of net sales, increased to 49.3% for the fourth quarter of 1998 from 45.4% for the same period in 1997. The increase was attributable to significant leverage in buying and occupancy costs, expressed as a percentage of net sales, associated with increased comparable store sales. Merchandise margins (representing gross income before the deduction of buying and occupancy costs) improved primarily due to a lower markdown rate as the Company continued to efficiently manage inventories.

Gross income, expressed as a percentage of net sales, increased to 45.4% for the fourth quarter of 1997 from 43.0% for the same period in 1996. The increase was attributable to improved merchandise margins resulting from higher initial markups (IMU) and a lower markdown rate. As a result of improved inventory turnover, fewer markdowns, expressed as a percentage of net sales, were needed in the fourth quarter of 1997 to clear season-end merchandise as compared to the same period in 1996.

For the year, the gross income rate increased to 42.2% in 1998 from 38.5% in 1997. Merchandise margins, expressed as a percentage of net sales, increased due to higher IMU across most merchandise categories and a lower markdown rate. In addition, buying and occupancy costs, expressed as a percentage of net sales, declined due to leverage achieved from comparable store sales increases.

In 1997, the gross income rate increased to 38.5% from 36.9% in 1996. The improvement was the result of higher merchandise margins, expressed as a percentage of net sales. Improved IMU, in both the men's and women's businesses, drove the increase in merchandise margins. In addition, buying and occupancy costs, expressed as a percentage of net sales, declined slightly due to leverage achieved from comparable store sales increases.

GENERAL, ADMINISTRATIVE AND STORE OPERATING EXPENSES General, administrative and store operating expenses, expressed as a percentage of net sales, were 16.9% in the fourth quarter of 1998 and 17.5% in the comparable period in 1997. The improvement resulted primarily from favorable leveraging of expenses due to higher sales volume. Included in these expenses was approximately $2.6 million in the fourth quarter of 1998 and 1997 of compensation expense associated with restricted stock grants awarded to key executives of the Company.

General, administrative and store operating expenses for the year, expressed as a percentage of net sales, were 21.7%, 22.4% and 23.2% in 1998, 1997 and 1996. The improvement during the three-year period resulted from management's continued emphasis on expense control and favorable leveraging of expenses, primarily store expenses, due to higher sales volume. The 1998 improvement was offset by compensation expense associated with restricted stock grants of approximately $11.5 million.

OPERATING INCOME Operating income, expressed as a percentage of net sales, was 32.4%, 27.9% and 25.4% for the fourth quarter of 1998, 1997 and 1996 and 20.5%, 16.1% and 13.7% for fiscal years 1998, 1997 and 1996. The improvement was the result of higher gross income coupled with lower general, administrative and store operating expenses, expressed as a percentage of net sales. Sales volume and gross income have increased at a faster rate than general, administrative and store operating expenses as the Company continues to emphasize cost controls.

INTEREST INCOME/EXPENSE Net interest income was $1.6 million in the fourth quarter of 1998 and $3.1 million for all of 1998 compared with net interest expense of $305 thousand and $3.6 million for the corresponding periods last year. Net interest income in 1998 was primarily from short-term investments. Net interest expense in 1997 included $975 thousand per quarter associated with $50 million of long-term debt that was repaid during the first quarter of 1998, offset by interest income on short-term investments.

FINANCIAL CONDITION The Company's continuing growth in operating income provides evidence of financial strength and flexibility. A more detailed discussion of liquidity, capital resources and capital requirements follows.

LIQUIDITY AND CAPITAL RESOURCES Cash provided by operating activities and the Company's $150 million credit agreement provide the resources to support operations, including seasonal requirements and capital expenditures. A summary of the Company's working capital position and capitalization follows (thousands):

	1998	1997	1996
Working capital	$ 96,007	$ 42,000	$1,288
Capitalization:			
Long-term debt	–	$ 50,000	$50,000
Shareholders' equity	$186,105	58,775	11,238
Total capitalization	$186,105	$108,775	$61,238

The Company considers the following to be measures of liquidity and capital resources:

	1998	1997	1996
Current ratio (current assets divided by current liabilities)	1.79	1.63	1.03
Debt-to-capitalization ratio (long-term debt divided by total capitalization)	n/a	46%	82%
Cash flow to capital investment (net cash provided by operating activities divided by capital expenditures)	413%	340%	193%

n/a=not applicable

Net cash provided by operating activities totaled $173.1 million, $100.2 million and $46.8 million for 1998, 1997 and 1996.

In 1998, the improvement in net cash provided by operating activities was largely due to increased net income. Cash requirements for inventory increased $11.1 million during 1998, supporting both the 56% sales growth and inventory levels that are 10% higher per gross square foot than last year. Correspondingly, accounts payable and accrued expenses increased, supporting the growth in inventories and sales.

The Company's operations are seasonal in nature and typically peak during the back-to-school and Christmas holiday selling seasons. Accordingly, cash requirements for inventory expenditures are highest during these periods.

Investing activities were all for capital expenditures, which are primarily for new stores.

In 1998, financing activities consisted primarily of the repayment of $50 million long-term debt to The Limited. This occurred through the issuance of 600,000 shares of Class A common stock to The Limited with the remaining balance paid with cash from operations. Additionally, settlement of the intercompany balance between the Company and The Limited occurred concurrently with the Exchange offer as described in Note 1 to the Consolidated Financial Statements.

On July 16, 1998, the Board of Directors authorized the repurchase of up to 1.0 million shares of the Company's common stock for general corporate purposes. During 1998, the Company repurchased 245 thousand shares of common stock.

CAPITAL EXPENDITURES Capital expenditures, primarily for new and remodeled stores, amounted to $41.9 million, $29.5 million and $24.3 million for 1998, 1997 and 1996.

During the year, the Company opened 28 Abercrombie & Fitch stores and 13 "abercrombie" kids' stores.

The Company anticipates spending $85 to $95 million in 1999 for capital expenditures, of which $45 to $50 million will be for new stores, remodeling and/or expansion of existing stores and related improvements. The balance of capital expenditures will chiefly be related to the construction of a new office and distribution center which is expected to be completed by mid-2001. The Company intends to add approximately 400,000 gross square feet in 1999, which will represent a 22% increase over year-end 1998. It is anticipated the increase will result from the addition of approximately 36 new Abercrombie & Fitch stores, 15-20 "abercrombie" kids' stores and the remodeling and/or expansion of ten stores.

The Company estimates that the average cost for leasehold improvements and furniture and fixtures for Abercrombie & Fitch stores opened in 1999 will approximate $710,000 per store, after giving effect to landlord allowances. In addition, inventory purchases are expected to average approximately $300,000 per store.

The planned size of the "abercrombie" kids' stores is approximately 4,000 gross square feet and the average cost for leasehold improvements and furniture and fixtures will be approximately $450,000.

The Company expects that substantially all future capital expenditures will be funded with cash from operations. In addition, the Company has available a $150 million credit agreement to support operations.

INFORMATION SYSTEMS AND "YEAR 2000" COMPLIANCE : YEAR 2000 READINESS DISCLOSURES Potential Year 2000 issues will arise primarily from computer programs which only have a two-digit date field, rather than four, to define the applicable year of business transactions. Because such computer programs will be unable to properly interpret dates beyond the year 1999, a systems failure or other computer errors may ensue. The Company relies on computer-based technology and utilizes a variety of proprietary and third party hardware and software. The Company's critical information technology (IT) functions include point-of-sale equipment, merchandise and non-merchandise procurement and business and accounting management.

In order to address the Year 2000 issue the Company has developed a Year 2000 plan that focuses on three areas: IT systems, facilities and distribution equipment and vendor relations. The plan includes five stages, including (i) awareness, (ii) assessment, (iii) renovation, (iv) validation and (v) implementation. In addition to renovation of legacy systems, new financial software packages are being implemented. The Company is using both internal and external resources to complete its Year 2000 initiatives.

Year 2000 remediation of existing systems and implementation of new systems, including validation and implementation, is expected to be substantially complete by the end of the first fiscal quarter.

The Company procures its merchandise and supplies from a vast network of vendors located both within and outside the United States. The Company has identified key vendors and suppliers and made inquiries prior to the end of the fiscal year 1998 to determine their Year 2000 compliance status. The Company is currently assessing the responses from these vendors and suppliers and is looking to obtain appropriate assurances from these vendors regarding their Year 2000 compliance status.

The Company also utilizes various facilities, distribution equipment and transportation and logistic services from The Limited and is in the process of assessing their Year 2000 compliance status.

The Company believes that the most likely worst case scenario is that there will be some minor disruption of systems that will affect the supply and distribution channels on a short-term basis rather than impacting the Company in the long-term. The Company is in the process of developing contingency plans, such as alternative sourcing, and identifying the necessary actions that would need to be taken if critical systems or service providers were not Year 2000 compliant. Given the uncertainty as to the exact nature and extent of problems that may arise, the Company's contingency planning will focus on minimizing any significant disruptions by committing resources to respond to specific problems that may arise. At the present time, the Company is not aware of any Year 2000 issues that it expects might materially affect its products, services, competitive position or financial performance. However, despite the Company's significant efforts to make its systems and facilities Year 2000 compliant, the ability of third party service providers, vendors and certain other third parties, including governmental entities and utility companies to be Year 2000 compliant is beyond the Company's control. Accordingly, the Company can give no assurances that the failure of systems of other companies on which the Company's systems rely or that the failure of key suppliers or other third parties to comply with Year 2000 requirements will not have a material adverse effect on the Company.

Total expenditures related to remediation, testing, conversion, replacement and upgrading system applications are not expected to exceed $4.0 million. Of the total, approximately $1.0 million will be expenses associated with remediation and testing of existing systems. Total incremental expenses, including depreciation and amortization of new package systems, remediation to bring current systems into compliance and writing off legacy systems are not expected to have a material impact on the Company's financial condition in any year during the conversion process through 2000. As of January 30, 1999, the Company has incurred expenses of approximately $3.7 million, consisting of internal staff costs as well as outside consulting and other expenditures. In 1998, a significant amount of total internal staff resources were directed towards Year 2000 projects. In 1999, internal resources and costs are not expected to change significantly but will be redirected from the Year 2000 projects to other Company initiatives.

RELATIONSHIP WITH THE LIMITED Subsequent to the Exchange Offer (see Note 1 to the Consolidated Financial Statements), the Company and The Limited entered into service agreements which include among other things tax, information technology and store design and construction. These agreements are generally for a term of one year. At the end of fiscal year 1998, the Company had hired associates with the appropriate expertise or contracted with outside parties to replace those services provided by The Limited which expire in May 1999. Service agreements were also entered into for the continued use by the Company of its distribution and home office space and transportation and logistic services. These agreements are generally for a term of three years. Costs for these services will generally be the costs and expenses incurred by The Limited plus five percent of such amounts.

The Company does not anticipate that costs associated with the services provided by The Limited, which expire in May 2001, or costs incurred to replace the services currently provided by The Limited will have a material adverse impact on its financial condition.

IMPACT OF INFLATION The Company's results of operations and financial condition are presented based upon historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, the Company believes that the effects of inflation, if any, on its results of operations and financial condition have been minor.

ADOPTION OF ACCOUNTING STANDARDS In March 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". The SOP requires that certain external costs, internal payroll and payroll related costs be capitalized during the application development stage of a software development project and amortized over the software's useful life. The Company will adopt the SOP in the first quarter of 1999. The Company does not anticipate the adoption of this SOP will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows. Previously, the Company has expensed all software costs.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 The Company cautions that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this Report or made by management of the Company involve risks and uncertainties and are subject to change based on various important factors. The foregoing statements as to costs and dates relating to the Year 2000 effort are forward-looking and are based on the Company's best estimates that may be updated as additional information becomes available. The Company's forward-looking statements are also based on assumptions about many important factors, including the technical skills of employees and independent contractors, the representations and preparedness of third parties, the failure of vendors to deliver merchandise or perform services required by the Company and the collateral effects of the Year 2000 issues on the Company's business partners and customers. While the Company believes its assumptions are reasonable, it cautions that it is impossible to predict the impact of certain factors that could cause actual costs or timetables to differ materially from the expected results. In addition to Year 2000 issues, the following factors, among others, in some cases have affected and in the future could affect the Company's financial performance and actual results and could cause actual results for 1999 and beyond to differ materially from those expressed or implied in any such forward-looking statements: changes in consumer spending patterns, consumer preferences and overall economic conditions, the impact of competition and pricing, changes in weather patterns, political stability, currency and exchange risks and changes in existing or potential duties, tariffs or quotas, availability of suitable store locations at appropriate terms, ability to develop new merchandise and ability to hire and train associates.

CONSOLIDATED STATEMENTS OF INCOME

(Thousands except per share amounts)	1998	1997	1996
Net Sales	$815,804	$521,617	$335,372
Cost of Goods Sold, Occupancy and Buying Costs	471,853	320,537	211,606
Gross Income	343,951	201,080	123,766
General, Administrative and Store Operating Expenses	176,993	116,955	77,773
Operating Income	166,958	84,125	45,993
Interest (Income)/ Expense, Net	(3,144)	3,583	4,919
Income Before Income Taxes	170,102	80,542	41,074
Provision for Income Taxes	68,040	32,220	16,400
Net Income	$102,062	$ 48,322	$ 24,674
Net Income Per Share:			
Basic	$1.98	$ .95	$ .54
Diluted	$1.92	$ .94	$ .54

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)

		Common Stock				
(Thousands)	Shares Outstanding	Par Value	Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock, at Average Cost	Total Shareholders' Equity (Deficit)
Balance, February 3, 1996	43,000	–	$305	$(22,927)	–	$(22,622)
Transfer of Equity to Debt ($50,000 Long-Term Debt and $32,000 Short-Term Borrowings)	–	–	–	(82,000)	–	(82,000)
Cash Dividend to The Limited Prior to Initial Public Offering	–	–	–	(27,000)	–	(27,000)
Sale of Common Stock in Initial Public Offering	8,050	$511	117,667	–	–	118,178
Net Income	–	–	–	24,674	–	24,674
Other	–	–	8	–	–	8
Balance, February 1, 1997	51,050	$511	$117,980	$(107,253)	–	$ 11,238
Purchase of Treasury Stock	(50)	–	–	–	$(929)	(929)
Net Income	–	–	–	48,322	–	48,322
Stock Options, Restricted Stock and Other	9	–	(8)	–	152	144
Balance, January 31, 1998	51,009	$511	$117,972	$ (58,931)	$ (777)	$ 58,775
Purchase of Treasury Stock	(245)	–	–	–	(11,240)	(11,240)
Net Income	–	–	–	102,062	–	102,062
Issuance of Common Stock	600	6	25,875	–	–	25,881
Stock Options, Restricted Stock and Other	43	–	295	–	10,332	10,627
Balance, January 30, 1999	51,407	$517	$144,142	$ 43,131	$ (1,685)	$186,105

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

Abercrombie & Fitch Co.

CONSOLIDATED BALANCE SHEETS

(Thousands)	January 30, 1999	January 31, 1998
Assets		
Current Assets		
Cash and Equivalents	$163,564	$ 42,667
Accounts Receivable	4,101	1,695
Inventories	43,992	33,927
Store Supplies	5,887	5,592
Receivable from The Limited	–	23,785
Other	691	1,296
Total Current Assets	218,235	108,962
Property and Equipment, Net	89,558	70,517
Deferred Income Taxes	10,737	3,759
Other Assets	631	–
Total Assets	$319,161	$183,238

Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts Payable	$24,759	$ 15,968
Accrued Expenses	63,882	35,143
Income Taxes Payable	33,587	15,851
Total Current Liabilities	122,228	66,962
Long-Term Debt	–	50,000
Other Long-Term Liabilities	10,828	7,501
Shareholders' Equity		
Common Stock	517	511
Paid-In Capital	144,142	117,972
Retained Earnings (Deficit)	43,131	(58,931)
	187,790	59,552
Less: Treasury Stock, at Average Cost	(1,685)	(777)
Total Shareholders' Equity	186,105	58,775
Total Liabilities and Shareholders' Equity	$319,161	$183,238

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands)	1998	1997	1996
Cash Flows from Operating Activities			
Net Income	$102,062	$48,322	$24,674
Impact of Other Operating Activities on Cash Flows			
Depreciation and Amortization	20,946	16,342	11,759
Non Cash Charge for Deferred Compensation	11,497	6,219	–
Change in Assets and Liabilities			
Inventories	(10,065)	1,016	(4,555)
Accounts Payable and Accrued Expenses	37,530	22,309	9,943
Income Taxes	10,758	4,606	4,218
Other Assets and Liabilities	355	1,381	797
Net Cash Provided by Operating Activities	173,083	100,195	46,836
Cash Used for Investing Activities			
Capital Expenditures	(41,876)	(29,486)	(24,323)
Financing Activities			
Settlement of Balance with The Limited	23,785	–	–
Increase (Decrease) in Receivable from The Limited	–	(29,202)	18,988
Dividend Paid to The Limited	–	–	(27,000)
Net Proceeds from Issuance of Common Stock	25,875	–	118,178
Proceeds from Credit Agreement	–	–	150,000
Repayment of Credit Agreement	–	–	(150,000)
Repayment of Trademark Obligations	–	–	(32,000)
Repayment of Debt to The Limited	–	–	(91,000)
Repayment of Working Capital Note	–	–	(8,616)
Repayment of Long-Term Debt	(50,000)	–	–
Purchase of Treasury Stock	(11,240)	(929)	–
Other Changes in Shareholders' Equity	1,270	144	8
Net Cash Used for Financing Activities	(10,310)	(29,987)	(21,442)
Net Increase in Cash and Equivalents	120,897	40,722	1,071
Cash and Equivalents, Beginning of Year	42,667	1,945	874
Cash and Equivalents, End of Year	$163,564	$42,667	$ 1,945

In 1996, non cash financing activities included the distribution of a note representing preexisting obligations of the Company's operating subsidiary in respect of certain trademarks in the amount of $32 million by the Company's trademark subsidiary to The Limited, distribution of the $50 million in long-term debt and the conversion of $8.6 million of debt to The Limited into a working capital note.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION Abercrombie & Fitch Co. (the "Company") was incorporated on June 26, 1996, and on July 15, 1996 acquired the stock of Abercrombie & Fitch Holdings, the parent company of the Abercrombie & Fitch business, and A&F Trademark, Inc., in exchange for 43 million shares of Class B common stock issued to The Limited, Inc. ("The Limited"). The Company is a specialty retailer of high quality, casual apparel for men, women and kids with an active, youthful lifestyle. The business was established in 1892 and subsequently acquired by The Limited in 1988.

An initial public offering (the "Offering") of 8.05 million shares of the Company's Class A common stock, including the sale of 1.05 million shares pursuant to the exercise by the underwriters of their options to purchase additional shares, was consummated on October 1, 1996. The net proceeds received by the Company from the Offering, approximating $118.2 million, and cash from operations were used to repay the borrowings under a $150 million credit agreement. As a result of the Offering, 84.2% of the outstanding common stock of the Company was owned by The Limited, until the completion of a tax-free exchange offer (the "Exchange Offer") on May 19, 1998, to establish the Company as an independent company.

In the Exchange Offer, The Limited accepted 47,075,052 shares of its common stock that were exchanged at a ratio of .86 of a share of Abercrombie & Fitch stock for each Limited share. On June 1, 1998, The Limited effected a pro rata spin-off to its shareholders of its remaining 3,115,455 Abercrombie & Fitch shares. Limited shareholders of record at the close of trading on May 29, 1998 received .013673 of a share of Abercrombie & Fitch stock for each Limited share owned at that time.

The accompanying consolidated financial statements include the historical financial statements of, and transactions applicable to the Company and its subsidiaries and reflect the assets, liabilities, results of operations and cash flows on a historical cost basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION The consolidated financial statements include the accounts of the Company and all significant subsidiaries that are more than 50% owned and controlled. All significant intercompany balances and transactions have been eliminated in consolidation.

FISCAL YEAR The Company's fiscal year ends on the Saturday closest to January 31. Fiscal years are designated in the financial statements and notes by the calendar year in which the fiscal year commences. The results for fiscal years 1998, 1997 and 1996 represent the fifty-two week periods ended January 30, 1999, January 31, 1998 and February 1, 1997.

CASH AND EQUIVALENTS Cash and equivalents include amounts on deposit with financial institutions and investments with maturities of less than 90 days.

INVENTORIES Inventories are principally valued at the lower of average cost or market, on a first-in first-out basis, utilizing the retail method.

STORE SUPPLIES The initial inventory of supplies for new stores including, but not limited to, hangers, signage, security tags and point-of-sale supplies are capitalized at the store opening date. Subsequent shipments are expensed except for new merchandise presentation programs which are capitalized.

PROPERTY AND EQUIPMENT Depreciation and amortization of property and equipment are computed for financial reporting purposes on a straight-line basis, using service lives ranging principally from 10-15 years for leasehold improvements and 3-10 years for other property and equipment. Beneficial leaseholds represent the present value of the excess of fair market rent over contractual rent of existing stores at the 1988 purchase of the Company by The Limited and are being amortized over the lives of the related leases. The cost of assets sold or retired and the related accumulated depreciation or amortization are removed from the accounts with any resulting gain or loss included in net income. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments that extend service lives are capitalized. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that full recoverability is questionable. Factors used in the valuation include, but are not limited to, management's plans for future operations, recent operating results and projected cash flows.

INCOME TAXES Income taxes are calculated in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," which requires the use of the liability method. Deferred tax assets and liabilities are recognized based on the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates in effect in the years in which those temporary differences are expected to reverse. Under SFAS No. 109, the effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

Prior to the Exchange Offer, the Company was included in The Limited's consolidated federal and certain state income tax groups for income tax reporting purposes and was responsible for its proportionate share of income taxes calculated upon its federal taxable income at a current estimate of the Company's annual effective tax rate. Subsequent to the Exchange Offer, the Company began filing its tax returns on a separate basis.

SHAREHOLDERS' EQUITY At January 30, 1999, there were 150 million of $.01 par value Class A common shares authorized, of which 51.4 million and 8.01 million shares were outstanding at January 30, 1999 and January 31, 1998 and 150 million of $.01 par value Class B common shares authorized, of which 43 million shares were issued and outstanding at January 31, 1998. In addition, 15 million of $.01 par value preferred shares were authorized, none of which have been issued.

Holders of Class A common stock generally have identical rights to holders of Class B common stock, except that holders of Class A common stock are entitled to one vote per share while holders of Class B common stock are entitled to three votes per share on all matters submitted to a vote of shareholders.

REVENUE RECOGNITION Sales are recorded upon purchase by customers.

CATALOGUE AND ADVERTISING COSTS Costs related to the A&F Quarterly, a catalogue/magazine, primarily consist of catalogue production and mailing costs and are expensed as incurred. Advertising costs consist of in-store photographs and advertising in selected national publications and are expensed when the photographs or publications first appear. Catalogue and advertising costs amounted to $24.9 million in 1998, $13.7 million in 1997 and $4.1 million in 1996.

STORE PREOPENING EXPENSES Preopening expenses related to new store openings are charged to operations as incurred.

FAIR VALUE OF FINANCIAL INSTRUMENTS The recorded values of current assets and current liabilities, including accounts receivable and accounts payable, approximate fair value due to the short maturity and because the average interest rate approximates current market origination rates.

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturity. The estimated fair value of the Company's long-term debt at January 31, 1998 was $52.2 million.

EARNINGS PER SHARE Net income per share is computed in accordance with SFAS No. 128, "Earnings Per Share," which the Company adopted in the fourth quarter of 1997. Net income per basic share is computed based on the weighted average number of outstanding common shares. Net income per diluted share includes the weighted average effect of dilutive stock options and restricted stock. The common stock issued to The Limited (43 million Class B shares) in connection with the incorporation of the Company is assumed to have been outstanding for 1997 and 1996.

Weighted Average Common Shares Outstanding (thousands):

	1998	1997	1996
Common shares issued	51,650	51,050	45,749
Treasury shares	(108)	(39)	–
Basic shares	51,542	51,011	45,749
Dilutive effect of options and restricted shares	1,559	467	11
Diluted shares	53,101	51,478	45,760

Options to purchase 228,000 and 240,000 shares of common stock were outstanding at year-end 1997 and 1996 but were not included in the computation of net income per diluted share because the options' exercise price was greater than the average market price of the common shares.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Since actual results may differ from those estimates, the Company revises its estimates and assumptions as new information becomes available.

RECLASSIFICATIONS Certain amounts have been reclassified to conform with current year presentation.

3. PROPERTY AND EQUIPMENT Property and equipment, at cost, consisted of (thousands):

	1998	1997
Furniture, fixtures and equipment	$126,091	$104,671
Beneficial leaseholds	7,349	7,349
Leasehold improvements	16,450	11,615
Construction in progress	2,728	365
Total	$152,618	$124,000
Less: accumulated depreciation and amortization	63,060	53,483
Property and equipment, net	$89,558	$ 70,517

4. LEASED FACILITIES AND COMMITMENTS Annual store rent is comprised of a fixed minimum amount, plus contingent rent based on a percentage of sales exceeding a stipulated amount. Store lease terms generally require additional payments covering taxes, common area costs and certain other expenses. Rent expense for 1998, 1997 and 1996 included charges from The Limited and its subsidiaries for space under formal agreements that approximate market rates.

A summary of rent expense follows (thousands):

	1998	1997	1996
Store rent:			
Fixed minimum	$42,774	$34,402	$24,599
Contingent	6,382	2,138	1,620
Total store rent	$49,156	$36,540	$26,219
Buildings, equipment and other	1,814	1,400	1,229
Total rent expense	$50,970	$37,940	$27,448

At January 30, 1999, the Company was committed to noncancelable leases with remaining terms of one to fifteen years. These commitments include store leases with initial terms ranging primarily from ten to fifteen years and offices and a distribution center leased from an affiliate of The Limited with a term of three years from the date of the Exchange Offer. A summary of minimum rent commitments under noncancelable leases follows (thousands):

1999	$48,924	**2002**	$49,488
2000	50,243	**2003**	48,284
2001	49,824	**Thereafter**	181,661

5. ACCRUED EXPENSES Accrued expenses consisted of the following (thousands):

	1998	1997
Rent and landlord charges	$13,368	$ 8,105
Compensation and benefits	9,800	8,357
Catalogue and advertising costs	8,701	4,012
Interest	–	986
Taxes, other than income	3,634	1,827
Other	28,379	11,856
Total	$63,882	$35,143

6. INCOME TAXES The provision for income taxes consisted of (thousands):

	1998	1997	1996
Currently payable:			
Federal	$65,270	$29,040	$16,001
State	14,682	6,450	3,646
	$79,952	$35,490	$19,647
Deferred:			
Federal	(9,530)	(2,620)	(2,601)
State	(2,382)	(650)	(646)
	$(11,912)	$(3,270)	$(3,247)
Total provision	$68,040	$32,220	$16,400

A reconciliation between the statutory Federal income tax rate and the effective income tax rate follows:

	1998	1997	1996
Federal income tax rate	35.0%	35.0%	35.0%
State income tax, net of Federal income tax effect	4.7%	4.7%	4.7%
Other items, net	0.3%	0.3%	0.2%
Total	40.0%	40.0%	39.9%

Income taxes payable included net current deferred tax assets of $9.0 million and $4.1 million at January 30, 1999 and January 31, 1998.

Subsequent to the Exchange Offer, the Company began filing its tax returns on a separate basis. Prior to the Exchange Offer, income tax obligations were treated as having been settled through the intercompany accounts as if the Company was filing its income tax returns on a separate company basis. Amounts paid to The Limited totaled $27.4 million, $27.6 million and $10.6 million in 1998, 1997 and 1996. Subsequent to the Exchange Offer, the Company made tax payments directly to taxing authorities. Such amounts totaled $31.7 million in 1998.

The effect of temporary differences which gives rise to net deferred income tax assets was as follows (thousands):

	1998	1997
Deferred Compensation	$8,711	$1,198
Property and Equipment	1,446	1,496
Rent	2,341	1,507
Accrued expenses	4,008	2,667
Inventory	2,093	972
Other, net	1,168	54
Total deferred income taxes	$19,767	$7,894

No valuation allowance has been provided for deferred tax assets because management believes that it is more likely than not that the full amount of the net deferred tax assets will be realized in the future.

7. LONG-TERM DEBT The Company entered into a $150 million syndicated unsecured credit agreement (the "Agreement"), on April 30, 1998 (the "Effective Date"). Borrowings outstanding under the Agreement are due April 30, 2003. The Agreement has several borrowing options, including interest rates that are based on the bank agent's "Alternate Base Rate", a LIBO Rate or a rate submitted under a bidding process. Facility fees payable under the Agreement are based on the Company's ratio (the "leverage ratio") of the sum of total debt plus 800% of forward minimum rent commitments to trailing four-quarters EBITDAR and currently accrues at .275% of the committed amount per annum. The Agreement contains limitations on debt, liens, restricted payments (including dividends), mergers and acquisitions, sale-leaseback transactions, investments, acquisitions, hedging transactions and transactions with affiliates and financial covenants requiring a minimum ratio of EBITDAR to interest expense and minimum rent and a maximum leverage ratio. No amounts were outstanding under the Agreement at January 30, 1999.

Long-term debt at January 31, 1998 consisted of a 7.80% unsecured note in the amount of $50 million that represented the Company's proportionate share of certain long-term debt of The Limited. The interest rate and maturity of the note paralleled that of corresponding debt of The Limited.

During the first quarter of 1998, the Company repaid the $50 million long-term note owed to The Limited with $24,125,000 in cash and by issuing 600,000 shares of Class A common stock at a price of $43.125 per share.

8. RELATED PARTY TRANSACTIONS Prior to the Exchange Offer, transactions between the Company and The Limited and its subsidiaries and affiliates principally consisted of the following:

Merchandise purchases
Real estate management and leasing
Capital expenditures
Inbound and outbound transportation
Corporate services

Information with regard to these transactions through the completion of the Exchange Offer is as follows: Significant purchases were made from Mast, a wholly-owned subsidiary of The Limited. Purchases were also made from Gryphon, an indirect subsidiary of The Limited. Mast is a contract manufacturer and apparel importer, while Gryphon is a developer of fragrance and personal care products and also a contract manufacturer. Prices were negotiated on a competitive basis by merchants of the Company with Mast, Gryphon and the manufacturers.

The Company's real estate operations, including all aspects of lease negotiations and ongoing dealings with landlords and developers, were handled centrally by the Real Estate Division of The Limited ("Real Estate Division"). Real Estate Division expenses were allocated to the Company based on the number of new and remodeled store construction projects and open selling square feet.

The Company's store design and construction operations were coordinated centrally by the Store Planning Division of The Limited ("Store Planning Division"). The Store Planning Division facilitated the design and construction of the stores and upon completion transferred the stores to the Company at actual cost. Store Planning Division expenses were charged to the Company based on a combination of new and remodeled store construction projects and open selling square feet.

The Company's inbound and outbound transportation expenses were managed centrally by Limited Distribution Services ("LDS"), a wholly-owned subsidiary of The Limited. Inbound freight was charged to the Company based on actual receipts, while outbound freight was charged on a percentage of cartons shipped basis.

The Limited provided certain services to the Company including, among other things, aircraft, tax, treasury, legal, corporate secretary, accounting, auditing, corporate development, risk management, associate benefit plan administration, human resource and compensation, government affairs and public relation services. Identifiable costs were charged directly to the Company. All other services-related costs not specifically attributable to the business were allocated to the Company based upon a percentage of sales.

Prior to the Exchange Offer, the Company participated in The Limited's centralized cash management system whereby cash received from operations was transferred to The Limited's centralized cash accounts and cash disbursements were funded from the centralized cash accounts on a daily basis. Prior to the initial capitalization of the Company, the intercompany cash management account was noninterest bearing. After the initial capitalization of the Company on July 11, 1996, the intercompany cash management account became an interest earning asset or interest bearing liability of the Company depending upon the level of cash receipts and disbursements. Interest on the intercompany cash management account was calculated based on 30-day commercial paper rates for "AA" rated companies as reported in the Federal Reserve's H.15 statistical release. The average outstanding balance of the noninterest bearing intercompany payable to The Limited in the twenty-six week period ending August 3, 1996 approximated $64.5 million. A summary of the intercompany payment activity during the noninterest bearing period follows:

	Twenty-six weeks ended August 3, 1996
Balance at beginning of period	$86,045
Mast and Gryphon purchases	23,178
Other transactions with related parties	9,667
Centralized cash management	(16,417)
Settlement of current period income taxes	5,700
Payment to The Limited	(91,000)
Conversion to Working Capital Note	(8,616)
Balance at end of period	$ 8,557

The Company was charged rent expense, common area maintenance charges and utilities for stores shared with other consolidated subsidiaries of The Limited. The charges were based on square footage and represented the proportionate share of the underlying leases with third parties.

The Company was also charged rent expense and utilities for the distribution and home office space occupied (which approximated fair market value).

For the period prior to the Exchange Offer, the Company and The Limited entered into intercompany agreements that established the provision of services in accordance with the terms described above. The prices charged to the Company for services provided under these agreements may have been higher or lower than prices that would have been charged by third parties. It is not practicable, therefore, to estimate what these costs would have been if The Limited had not provided these services and the Company was required to purchase these services from outsiders or develop internal expertise. Management believes the charges and allocations described above are fair and reasonable.

The following table summarizes the related party transactions between the Company and The Limited and its subsidiaries, for the years indicated. Fiscal year 1998 reflects activity through the completion of the Exchange Offer.

(Thousands)	1998	1997	1996
Mast and Gryphon purchases	$20,176	$ 89,892	$61,776
Capital expenditures	3,199	27,012	20,839
Inbound and outbound transportation	2,280	5,524	3,326
Corporate charges	2,671	6,857	3,989
Store leases and other occupancy, net	561	1,184	1,509
Distribution center, IT and home office expenses	2,217	3,102	2,696
Centrally managed benefits	1,524	3,596	3,136
Interest charges, net	4	3,583	2,190
	$32,632	$140,750	$99,461

The Company's proprietary credit card processing is performed by Alliance Data Systems which is approximately 31% owned by The Limited.

Subsequent to the Exchange Offer, the Company and The Limited entered into service agreements which include among other things tax, information technology and store design and construction. These agreements are generally for a term of one year. Service agreements were also entered into for the continued use by the Company of its distribution and home office space and transportation and logistic services. These agreements are generally for a term of three years. Costs for these services are generally the costs and expenses incurred by The Limited plus five percent of such amounts. At the end of fiscal year 1998, the Company had hired associates with the appropriate expertise or contracted with outside parties to replace those services provided by The Limited which expire in May 1999.

The Company does not anticipate that costs associated with the remaining service agreements provided by The Limited which expire in May 2001 or costs incurred to replace the services currently provided by The Limited will have a material adverse impact on its financial condition.

Shahid & Company, Inc. has provided advertising and design services for the Company since 1995. Sam N. Shahid Jr., who serves on the Board of Directors for the Company, has been President and Creative Director of Shahid & Company, Inc. since 1993. Fees paid to Shahid & Company, Inc. for services provided during fiscal year 1998 were approximately $1.2 million.

9. STOCK OPTIONS AND RESTRICTED STOCK Under the Company's stock plan, associates may be granted up to a total of 5.5 million restricted shares and options to purchase the Company's common stock at the market price on the date of grant. In 1998, associates of the Company were granted approximately 2.0 million options, with vesting periods ranging from four to six years. A total of 66,000 shares were issued to non-associate directors in 1998, all of which vest over four years. All options have a maximum term of ten years.

The Company adopted the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation," effective with the 1996 financial statements, but elected to continue to measure compensation expense in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation expense for stock options has been recognized. If compensation expense had been determined based on the estimated fair value of options granted in 1998, 1997 and 1996, consistent with the methodology in SFAS No. 123, the pro forma effect on net income and net income per diluted share would have been a reduction of approximately $6.1 million or $.11 per share in 1998 and $1.7 million or $.03 per share in 1997. In 1996, the pro forma effect would have had no impact on net income and net income per diluted share. The weighted-average fair value of all options granted during fiscal 1998, 1997 and 1996 was $19.59, $8.50 and $6.67. The fair value of each option was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions for 1998, 1997 and 1996: no expected dividends, price volatility of 40% in 1998 and 35% in 1997 and 1996, risk-free interest rates of 5.5%, 6.0% and 6.25%, assumed forfeiture rates of 10% and expected lives of 5 years in 1998 and 1996 and 6.5 years in 1997.

The pro forma effect on net income for 1998, 1997 and 1996 is not representative of the pro forma effect on net income in future years because it takes into consideration pro forma compensation expense related only to those grants made subsequent to the Company's initial public offering.

Stock Options Outstanding at January 30, 1999

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercisable Price
$13-$25	1,618,000	8.1	$16.05	169,000	$16.09
$26-$37	381,000	8.9	$31.09	25,000	$30.71
$38-$49	1,785,000	9.5	$46.08	–	–
$13-$49	3,784,000	8.8	$31.73	194,000	$17.97

A summary of option activity for 1996, 1997 and 1998 follows:

Stock Option Activity

	Number of Shares	Weighted Average Option Price
1996		
Outstanding at beginning of year	–	–
Granted	240,000	$16.00
Exercised	–	–
Canceled	–	–
Outstanding at end of year	240,000	$16.00
Options exercisable at year-end	–	–
1997		
Outstanding at beginning of year	240,000	$16.00
Granted	1,669,000	18.03
Exercised	(4,000)	16.00
Canceled	(21,000)	16.00
Outstanding at end of year	1,884,000	$17.81
Options exercisable at year-end	35,000	$16.00
1998		
Outstanding at beginning of year	1,884,000	$17.81
Granted	1,985,000	44.93
Exercised	(30,000)	17.98
Canceled	(55,000)	38.79
Outstanding at end of year	3,784,000	$31.73
Options exercisable at year-end	194,000	$17.97

A total of 70,000 and 547,000 restricted shares were granted in 1998 and 1997, with a total market value at grant date of $2.7 million and $8.7 million. The restricted stock grants generally vest either on a graduated scale over four years or 100% at the end of a fixed vesting period, principally five years. The market value of restricted stock is being amortized as compensation expense over the vesting period, generally four to five years. Compensation expenses related to restricted stock awards amounted to $11.5 million, $6.2 million and $0.5 million in 1998, 1997 and 1996. Long-term liabilities at fiscal year-end 1998 and 1997 included $8.7 million and $6.2 million of compensation expense relating to restricted stock.

10. RETIREMENT BENEFITS The Company participates in a qualified defined contribution retirement plan and a nonqualified supplemental retirement plan. Participation in the qualified plan is available to all associates who have completed 1,000 or more hours of service with the Company during certain 12-month periods and attained the age of 21. Participation in the nonqualified plan is subject to service and compensation requirements. The Company's contributions to these plans are based on a percentage of associates' eligible annual compensation. The cost of these plans was $760 thousand in 1998, $558 thousand in 1997 and $472 thousand in 1996.

11. QUARTERLY FINANCIAL DATA (UNAUDITED) Summarized quarterly financial results for 1998 and 1997 follow (thousands except per share amounts):

1998 Quarter	First	Second	Third	Fourth
Net sales	$134,230	$147,127	$229,869	$304,578
Gross income	49,211	55,194	89,444	150,102
Net income	6,308	10,598	24,943	60,213
Net income per basic share	$.12	$.21	$.48	$1.17
Net income per diluted share	$.12	$.20	$.47	$1.12

1997 Quarter				
Net sales	$74,316	$86,640	$148,516	$212,145
Gross income	23,941	27,786	52,990	96,363
Net income	565	2,053	10,403	35,301
Net income per basic share	$.01	$.04	$.20	$.69
Net income per diluted share	$.01	$.04	$.20	$.68

MARKET PRICE INFORMATION The following is a summary of the Company's market price on the New York Stock Exchange ("ANF") for the fiscal years ending 1998 and 1997:

	Market Price	
	High	Low
1998 Fiscal Year		
4th Quarter	$76¾	$41 13/16
3rd Quarter	$53 15/16	$32¾
2nd Quarter	$48¾	$39 11/16
1st Quarter	$47½	$31 3/16
1997 Fiscal Year		
4th Quarter	$34 11/16	$25 11/16
3rd Quarter	$27¼	$19¼
2nd Quarter	$20½	$15¾
1st Quarter	$17⅝	$12⅞

On January 30, 1999, there were approximately 6,700 shareholders of record. However, when including active associates who participate in the Company's stock purchase plan, associates who own shares through Company sponsored retirement plans and others holding shares in broker accounts under street name, the Company estimates the shareholder base at approximately 60,000.

REPORT OF INDEPENDENT ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF ABERCROMBIE & FITCH CO.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity (deficit), and cash flows present fairly, in all material respects, the consolidated financial position of Abercrombie & Fitch Co. and its subsidiaries at January 30, 1999 and January 31, 1998, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended January 30, 1999 (on pages 19 to 29) in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these consolidated statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP
Columbus, Ohio
February 16, 1999

Abercrombie & Fitch Co.

CORPORATE INFORMATION

Abercrombie & Fitch
Four Limited Parkway East, Reynoldsburg, Ohio 43068
(614) 577-6500
www.abercrombie.com

ANNUAL MEETING

The Annual Meeting of Shareholders is scheduled for 10:00 A.M., Thursday, May 20, 1999 at Abercrombie & Fitch, Four Limited Parkway East, Reynoldsburg, Ohio 43068.

STOCK EXCHANGE LISTING

New York Stock Exchange (Trading Symbol "ANF"), commonly listed in newspapers as AberFit.

INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers LLP, Columbus, Ohio

10-K REPORT

A copy of Form 10-K is available without charge upon written request to Lonnie Fogel, Director of Investor Relations & Corporate Communications, Abercrombie & Fitch, Four Limited Parkway East, Reynoldsburg, Ohio 43068.

STOCK TRANSFER AGENT, REGISTRAR AND DIVIDEND AGENT

First Chicago Trust Company of New York, a division of EquiServe
P.O. Box 2500, Jersey City, New Jersey 07303

INFORMATION REQUESTS

Please call (614) 577-6751 or write
Lonnie Fogel, Director of Investor Relations & Corporate Communications
at the Corporate Offices address listed above.

ABERCROMBIE & FITCH

Initial Public Offering: September 26, 1996
Number of Associates: 9,500
Approximate Shareholder Base: 60,000

CORPORATE OFFICERS

MICHAEL S. JEFFRIES
Chairman and Chief Executive Officer

RAYMOND ATTANASIO
Vice President - Human Resources

DIANE CHANG
Vice President - Sourcing

MICHELE S. DONNAN-MARTIN
Vice President - Women's Design/General Merchandising Manager - Women's

SETH R. JOHNSON
Vice President - Chief Financial Officer

DAVID L. LEINO
Vice President - Director of Stores

CHARLES W. MARTIN
Vice President - Men's Design and New Business Development

LESLEE K. O'NEILL
Vice President - Merchandise Control

BOARD OF DIRECTORS

MICHAEL S. JEFFRIES
Chairman and Chief Executive Officer

GEORGE FOOS
Management Consultant

JOHN A. GOLDEN
Limited Partner, The Goldman Sachs Group L.P.

SETH R. JOHNSON
Vice President - Chief Financial Officer

JOHN W. KESSLER
Chairman, The New Albany Company

SAMUEL SHAHID
President/Creative Director, Shahid & Company

Design: Shahid & Company Photography: Bruce Weber Printing: Superior Graphics