

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended January 30, 2021
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 001-12107
Abercrombie & Fitch Co.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

31-1469076

(I.R.S. Employer Identification No.)

6301 Fitch Path

New Albany

Ohio

(Address of principal executive offices)

43054

(Zip Code)

Registrant's telephone number, including area code: (614) 283-6500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.01 Par Value	ANF	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Aggregate market value of the Registrant's Class A Common Stock (the only outstanding common equity of the Registrant) held by non-affiliates of the Registrant (for this purpose, executive officers and directors of the Registrant are considered affiliates) as of July 31, 2020: \$587,999,740.

Number of shares outstanding of the Registrant's common stock as of March 24, 2021: 62,112,126 shares of Class A Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's definitive proxy statement for the Annual Meeting of Stockholders, to be held on June 9, 2021, are incorporated by reference into Part III of this Annual Report on Form 10-K. Portions of the Registrant's Annual Report on Form 10-K for the fiscal year ended February 1, 2020, filed with the SEC on March 31, 2020, are incorporated by reference into Part II of this Annual Report on Form 10-K, as permitted by Instruction 1 to Item 303(a) of Regulation S-K.

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PART I

Item 1. Business

GENERAL

Abercrombie & Fitch Co. (“A&F”), a company incorporated in Delaware in 1996, through its subsidiaries (collectively, A&F and its subsidiaries are referred to as the “Company” and “we”), is a global multi-brand omnichannel specialty retailer, whose products are sold primarily through its digital channels and Company-owned stores, as well as through various third-party arrangements. The Company offers a broad assortment of apparel, personal care products and accessories for men, women and kids under the Company’s two brand-based operating segments: Hollister, which includes the Company’s Hollister and Gilly Hicks brands, and Abercrombie, which includes the Company’s Abercrombie & Fitch and abercrombie kids brands. The brands share a commitment to offering unique products of enduring quality and exceptional comfort that allow customers around the world to express their own individuality and style. The Company operates primarily in North America, Europe and Asia.

The Company’s fiscal year ends on the Saturday closest to January 31. This typically results in a fifty-two-week year, but occasionally gives rise to an additional week, resulting in a fifty-three-week year. Fiscal years are designated in the Consolidated Financial Statements and Notes thereto, as well as the remainder of this Annual Report on Form 10-K, by the calendar year in which the fiscal year commenced. All references herein to the Company’s fiscal years are as follows:

Fiscal year	Year ended/ ending	Number of weeks
Fiscal 2018	February 2, 2019	52
Fiscal 2019	February 1, 2020	52
Fiscal 2020	January 30, 2021	52
Fiscal 2021	January 29, 2022	52

For additional information about the Company’s business, see “[ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS](#),” as well as “[ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA](#),” of this Annual Report on Form 10-K.

Impact of COVID-19

In January 2020, the Company began to experience business disruptions in the Asia-Pacific (“APAC”) region as a result of COVID-19. In February 2020, the situation escalated as the scope of COVID-19 worsened beyond the APAC region, with the United States (the “U.S.”) and Europe, Middle East and Africa (“EMEA”) experiencing significant outbreaks. In March 2020, the COVID-19 outbreak was declared to be a global pandemic by the World Health Organization. In response to COVID-19, certain governments have imposed travel restrictions and local statutory quarantines and the Company has recommended associates who are able to perform their role remotely continue to do so. The Company is reacting to COVID-19 on a daily basis, including by conforming to local government guidance and monitoring developments in government legislation or other government actions in response to COVID-19.

The extent of future impacts of COVID-19 on the Company’s business, including the duration and impact on overall customer demand, are uncertain as current circumstances are dynamic and depend on future developments, including, but not limited to, the duration and spread of COVID-19, the emergence of new variants of the coronavirus and the availability and acceptance of effective vaccines or medical treatments.

As a result of COVID-19, in January 2020, the Company temporarily closed the majority of its stores in the APAC region and in March 2020, the Company temporarily closed its stores across brands in North America and the EMEA region. The majority of APAC stores were reopened during March 2020, and the Company began to reopen stores in North America and the EMEA region on a rolling basis in late April 2020. As of January 30, 2021 and March 24, 2021, approximately 88% and 91% of Company-operated stores were open for in-store service, respectively, with temporary store closures primarily in the EMEA region. The Company plans to follow the guidance of local governments to determine when it can reopen closed stores and to evaluate whether further store closures will be necessary.

The Company has also implemented a range of precautionary health and safety measures with the well-being of the Company’s customers, associates and business partners in mind, including:

- Requiring associates to use face coverings, depending on geographic region;
- Encouraging or requiring customers to use face coverings, depending on geographic region;
- Conducting associate wellness checks in accordance with local government direction;
- Enhancing cleaning routines and installing plexiglass barriers in the majority of store locations;
- Implementing various measures to encourage social distancing, including managing occupancy limits;
- Encouraging contactless payment options, where available;

- Opening fitting rooms where permissible, with additional cleaning procedures for clothing that has been tried on;
- Removing returned merchandise from the sales floor for a period of time where mandated by local government;
- Reducing store hours in select locations;
- Continuing to offer purchase-online-pickup-in-store;
- Increasing its omnichannel capabilities by introducing curbside pickup at a majority of U.S. locations;
- Following recommended cleaning and distancing measures in the Company's distribution centers; and
- Maximizing work-from-home and digital collaboration alternatives to minimize in-person meetings whenever possible.

The Company has seen, and may continue to see, material reductions in sales across brands and regions as a result of COVID-19. Total net sales decreased approximately 14% for Fiscal 2020 as compared to Fiscal 2019, primarily driven by temporary store closures and a decline in traffic as compared to the previous year as a result of COVID-19. During Fiscal 2020, sales for stores that had reopened were approximately 75% of Fiscal 2019 levels. The Company has experienced other material impacts as a result of COVID-19, including, but not limited to, deferred tax valuation allowances, long-lived asset impairment, adjustments of the carrying amount of inventory and changes in the effectiveness of its hedging instruments.

The Company's digital operations across brands have continued to serve the Company's customers during this unprecedented period of temporary store closures as the Company's distribution centers implemented enhanced cleaning and social distancing measures in order to remain operational. In response to elevated digital demand during this period, the Company has increased its omnichannel capabilities by continuing to offer purchase-online-pickup-in-store, including curbside pick-up at a majority of U.S. locations, and by utilizing ship-from-store capabilities. In addition, to prepare for the Fiscal 2020 holiday season, the Company entered into a short-term lease for an additional distribution center and partnered with incremental carriers. Digital net sales increased approximately 39% for Fiscal 2020 as compared to Fiscal 2019, resulting in digital sales accounting for 54% of total revenues in Fiscal 2020 compared to 33% in Fiscal 2019. Despite the recent strength in digital sales, the Company has historically generated the majority of its annual net sales through stores and there can be no assurance that the current performance in the digital channel will continue.

The Company is also focused on managing inventories and the impacts COVID-19 has had, and continues to have, on its global supply chain, including potential disruptions of product deliveries. The Company sources the majority of its merchandise outside of the U.S. through arrangements with vendors primarily located in southeast Asia and, as of January 30, 2021, the vast majority of the factories the Company partners with were operating at full capacity. In order to complete production, these manufacturing factories are dependent on raw materials from fabric mills that are primarily located in the APAC region. The Company continues to collaborate with its third-party partners to mitigate significant delays in delivery of merchandise, especially in light of disruptions across the supply chain, including port congestion and shipping container shortages. During Fiscal 2020, the Company reduced certain orders that were not already in production, delayed and altered the cadence of deliveries and implemented various strategies to tightly manage inventories, including utilizing ship-from-store capabilities in select locations.

The Company's progress executing against the following key transformation initiatives created the foundation to allow the Company to respond quickly to COVID-19 in Fiscal 2020:

- Optimizing the global store network;
- Enhancing digital and omnichannel capabilities;
- Increasing the speed and efficiency of the concept-to-customer product life cycle by further investing in capabilities to position the supply chain for greater speed, agility and efficiency, while leveraging data and analytics to offer the right product at the right time and the right price; and
- Improving customer engagement through loyalty programs and marketing optimization.

The Company entered Fiscal 2020 with a healthy liquidity position, however in light of COVID-19 the Company took immediate, aggressive and prudent actions, including re-evaluating all expenditures, to balance short-term and long-term liquidity needs, in order to best position the business for the Company's key stakeholders during Fiscal 2020. Actions to preserve liquidity and manage cash flows during Fiscal 2020, included, but were not limited to the following:

- Partnered with merchandise and non-merchandise vendors in regards to payment terms;
- Managed inventory receipts tightly to align inventory with expected market demand;
- Reduced expenses to better align operating costs with sales;
- Assessed government policy and economic stimulus responses to COVID-19 for both business and individuals;
- Borrowed \$210.0 million under the senior secured asset-based revolving credit facility in March 2020, which was then repaid in July 2020 along with the term loan facility;
- Withdrew \$50.0 million from the overfunded Rabbi Trust assets, representing the majority of excess funds in March 2020;
- Announced the temporary suspension of the Company's share repurchase and dividend programs in March 2020 and May 2020, respectively; and
- Completed a private offering of \$350.0 million aggregate principal amount of senior secured notes in July 2020.

Reflecting ongoing global uncertainty and the near-term challenges that COVID-19 presents, such as continued temporary store closures, uncertainty surrounding the global economy and customer discretionary spending habits, the Company plans to conservatively manage cash and liquidity in the first half of Fiscal 2021, while prioritizing investments in the business and continuing to fund operating activities. Regarding returns to shareholders, although the dividend program remains suspended, the Company recently announced that it plans to resume share repurchases beginning on or after March 4, 2021, dependent on

various factors, such as market and business conditions, including the Company's ability to accelerate investments in the business.

As of January 30, 2021, the Company had liquidity of \$1.3 billion as compared to \$0.9 billion as of February 1, 2020, comprised of cash and equivalents and borrowing available to the Company under the senior secured asset-based revolving credit facility.

Despite the Company's recent history of partnering with its vendors regarding payment terms, certain payment term extensions were temporary and certain previously deferred payments have since been made. There can be no assurance that the Company will be able to maintain extended payment terms or continue to defer payments, which may result in incremental operating cash outflows in future periods.

For further information about COVID-19, refer to "[ITEM 1A. RISK FACTORS](#)," and "[ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS](#)," of this Annual Report on Form 10-K.

BRANDS AND SEGMENT INFORMATION

The Company's brands are as follows:

Brand	Description
Hollister	The quintessential apparel brand of the global teen consumer, Hollister Co. believes in liberating the spirit of an endless summer inside everyone. At Hollister, summer isn't just a season, it's a state of mind. Hollister creates carefree style designed to make all teens feel celebrated and comfortable in their own skin, so they can live in a summer mindset all year long, whatever the season.
Gilly Hicks	Hollister also carries an intimates brand, Gilly Hicks, which offers intimates, loungewear and sleepwear. Its products are designed to invite everyone to embrace who they are underneath it all.
Abercrombie & Fitch	Abercrombie & Fitch believes that every day should feel as exceptional as the start of the long weekend. Since 1892, the brand has been a specialty retailer of quality apparel, outerwear and fragrance - designed to inspire our global customers to feel confident, be comfortable and face their Fierce.
abercrombie kids	A global specialty retailer of quality, comfortable, made-to-play favorites, abercrombie kids sees the world through kids' eyes, where play is life and every day is an opportunity to be anything and better everything.

The Company determines its segments after taking into consideration a variety of factors, including its organizational structure and the basis that it uses to allocate resources and assess performance. The Company's two operating segments as of January 30, 2021 are brand-based: Hollister, which includes the Company's Hollister and Gilly Hicks brands, and Abercrombie, which includes the Company's Abercrombie & Fitch and abercrombie kids brands. These operating segments have similar economic characteristics, classes of consumers, products, production and distribution methods, operate in the same regulatory environments, and have been aggregated into one reportable segment. Additional information concerning the Company's segment and geographic information is contained in Note 18, "[SEGMENT REPORTING](#)" of the Notes to Consolidated Financial Statements included in "ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA" of this Annual Report on Form 10-K.

STRATEGY AND KEY BUSINESS PRIORITIES

The Company remains committed to, and confident in, its long-term vision of becoming a leading digital-first omnichannel global apparel retailer. The Company continues to evaluate opportunities to make progress against initiatives that support this vision, while balancing the near-term challenges and continued global uncertainty presented by COVID-19.

[Navigating COVID-19](#)

As discussed above under "[Impact of COVID-19](#)", the Company's progress executing against its key transformation initiatives prior to Fiscal 2020 created the foundation to allow the Company to respond quickly to COVID-19. The Company remains focused on navigating the challenges presented by COVID-19, primarily by:

- Prioritizing digital and omnichannel operations to serve the Company's customers during temporary store closures and restrictions;
- Maintaining safety protocols across the Company's corporate home offices, stores and distribution centers;
- Utilizing the Company's agile supply-chain;
- Speaking directly to the Company's customers through its social media channels about the current environment and issues that are impacting them the most; and
- Conservatively managing cash flows and liquidity in the near-term given continued global uncertainty, in order to best position the business for the Company's key stakeholders, including its associates, customers and shareholders.

[Long-term strategy](#)

As the COVID-19 situation allows, the Company continues to evaluate opportunities to make progress on initiatives that position the business for sustainable long-term growth and align with its strategic pillars. The Company remains committed to meeting its customers' needs whenever, wherever and however they choose to shop and works to accomplish this, in a rapidly evolving retail landscape, through the following pillars:

- Inspiring customers;
- Innovating relentlessly; and
- Developing leaders.

The following priorities serve as a framework in the Company achieving its long-term vision of becoming a leading digital-first omnichannel global apparel retailer and achieving sustainable long-term operating margin expansion:

- **Transform to a leading digital-first omnichannel global business model**, by creating best-in-class customer experiences across channels;
- **Continue to make progress against stated transformation initiatives**, including: optimizing global store square footage while remaining opportunistic in global intimate, omni-enabled store expansion; enhancing digital and omnichannel capabilities; increasing the speed and efficiency of our concept-to-customer product life cycle; and improving customer engagement;
- **Address market opportunities for the Company's brands across Europe and Asia** through the ongoing build-out of the Company's London and Shanghai teams, which are focused on providing localized product and marketing. These teams, and the rollout of intimate omni-enabled new store experiences that cater to local customers in underpenetrated international markets, support the Company's long-term vision of becoming a leading digital-first omnichannel global apparel retailer;
- **Focus on Gilly Hicks growth** by increasing domestic and international awareness through new store experiences, engaging product launches and thoughtful marketing, while being opportunistic regarding other growth opportunities, such as launching new brands and/or acquiring brands;
- **Improve customer engagement** by leveraging data analytics to retrieve timely customer insights that will accelerate responsiveness to customer demands and by introducing additional personalization measures;
- **Attract, retain, and develop the Company's human capital resources** by building upon the strength of its unique culture and by executing against the key initiatives discussed below under "HUMAN CAPITAL MANAGEMENT"; and
- **Integrate environment, social and governance practices and standards** throughout the organization through collaboration with the Company's associates, partners and communities.

OVERVIEW OF OPERATIONS

[Omnichannel initiatives](#)

As customer shopping preferences continue to shift and customers increasingly shop across multiple channels, the Company aims to create best-in-class customer experiences and grow total company profitability by delivering improvements through a continuous test-and-learn approach. While prior to Fiscal 2020, stores were the primary fulfillment point for orders, the Company experienced an acceleration in sales fulfilled through the digital channel in Fiscal 2020 as a result of COVID-19. Despite, this acceleration in channel shift, stores continue to be an important part of the customers' omnichannel experience and the Company believes that the customers' experience is improved by its offering of omnichannel capabilities, which include:

- Purchase-Online-Pickup-in-Store, allowing customers to purchase merchandise through one of the Company's websites or mobile apps and pick-up the merchandise in store, which often times drives incremental in-store sales;
- Curbside pickup, allowing customers to engage with the Company's brands while encouraging social distancing in light of the COVID-19 pandemic;
- Order-in-Store, allowing customers to shop the brands' in-store and online offerings while in-store;
- Reserve-in-Store, allowing customers to reserve merchandise online and try it on in-store before purchase;
- Ship-from-Store, which allows the Company to ship in-store merchandise to customers and increases inventory productivity; and
- Cross-channel returns, allowing customers to return merchandise purchased through one channel to a different channel.

The Company also believes that its loyalty programs, Hollister's Club Cali® and Abercrombie's myAbercrombie®, are important parts of its omnichannel strategy as the Company aims to seamlessly interact and connect with customers across all touchpoints through members-only offers, items and experiences. Under these programs, customers accumulate points primarily based on purchase activity and earn rewards as points are converted at certain thresholds. These rewards can be redeemed for merchandise discounts either in-store or online. The loyalty programs continue to provide timely customer insights and the Company believes these programs contribute to higher average transaction value.

[Digital operations](#)

In order to create a more seamless shopping experience for its customers, the Company continues to invest in its digital infrastructure. The Company has the capability to ship merchandise to customers in more than 110 countries and process transactions in 28 currencies and through 28 forms of payment globally. The Company operates desktop and mobile websites for its brands globally, which are available in various local languages, and four mobile apps. In addition, in its efforts to expand its international brand reach, the Company also partners with certain third-party e-commerce platforms. The Company continues to develop its mobile capabilities as mobile engagement continues to grow, with over 80% of the Company's digital traffic generated from mobile devices in Fiscal 2020.

[Store operations](#)

The Company continues to thoughtfully open new stores and invest in smaller omni-enabled store experiences that align with local customer shopping preferences as stores are a critical part of the omnichannel brand experience. During Fiscal 2020, the Company opened 15 new store locations, remodeled four store locations and right-sized an additional six store locations. Hollister and Abercrombie both have stores in updated formats, which are designed to be open and inviting, and include accommodating features such as innovative fitting rooms and omnichannel capabilities. These stores are tailored to reflect the personality of each brand, with unique furniture, fixtures, music and scent adding to a rich brand experience. The Company's stores continue to play an essential role in creating brand awareness serving as physical gateways to the brands. Stores also serve as local hubs for online engagement as the Company continues to grow its omnichannel capabilities to create seamless shopping experiences.

The Company continues to evaluate and manage its store fleet through its ongoing global store network optimization initiative and has taken actions to optimize store productivity by remodeling, right-sizing or relocating stores to smaller square footage locations, and closing stores. As part of this initiative, the Company closed eight flagship locations during Fiscal 2020, leaving the Company with seven operating flagships at the end of Fiscal 2020, down from 15 at the beginning of the year. In addition, the Company closed 129 non-flagship locations, resulting in 137 total store closures during Fiscal 2020. These actions reduced total Company store gross square footage by approximately 1.1 million gross square feet, or 17%, as compared to Fiscal 2019 year-end. The actions taken in Fiscal 2020, combined with ongoing digital sales growth, are expected to continue to transform the Company's operating model and reposition the Company for the future as the Company continues to focus on aligning store square footage with digital penetration.

All of the retail stores operated by the Company, as of January 30, 2021, are located in leased facilities, primarily in shopping centers. These leases generally have initial terms of between five and ten years. Certain leases also include early termination options, which can be exercised under specific conditions. The leases expire at various dates between Fiscal 2021 and Fiscal 2030.

As of January 30, 2021, the Company operated 735 retail stores as detailed in the table below:

	Hollister ⁽¹⁾	Abercrombie ⁽²⁾	Total ⁽³⁾
Europe	107	16	123
Asia	27	19	46
Canada	10	7	17
Middle East	6	6	12
International	150	48	198
United States	347	190	537
Total	497	238	735

⁽¹⁾ Includes the Hollister and Gilly Hicks brands. Locations with Gilly Hicks carveouts within Hollister stores are represented as a single store count. Excludes nine international franchise stores and 12 U.S. Company-operated temporary stores as of January 30, 2021.

⁽²⁾ Includes Abercrombie & Fitch and abercrombie kids brands. Locations with abercrombie kids carveouts within Abercrombie & Fitch stores are represented as a single store count. Excludes 10 international franchise stores and two U.S. Company-operated temporary stores as of January 30, 2021.

⁽³⁾ This store count excludes one international third-party operated multi-brand outlet store as of January 30, 2021.

For store count and gross square footage by brand and geographic region as of January 30, 2021 and February 1, 2020, refer to "[ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.](#)"

[Third-party operations](#)

The Company continues to expand its international brand reach, create brand awareness and develop local expertise through various wholesale, franchise, licensing and consignment arrangements. As of January 30, 2021, the Company had eight wholesale partnerships, primarily internationally. As of January 30, 2021, the Company's franchisees operated 19 international franchise stores across the brands located in Mexico, Qatar and Saudi Arabia and one multi-brand consignment outlet in China.

SOURCING OF MERCHANDISE INVENTORY

The Company works with its network of third-party vendors to supply compelling, on-trend and high-quality product assortments to its customers. These vendors are expected to respect local laws and have committed to follow the standards set forth in the Company's Vendor Code of Conduct, which details the Company's dedication to human rights, labor rights, environmental responsibility and workplace safety.

The Company sourced merchandise through approximately 100 vendors located in 17 countries, including the U.S., during Fiscal 2020. The Company's largest vendor accounted for approximately 13% of merchandise sourced in Fiscal 2020, based on the cost of sourced merchandise. The Company believes its product sourcing is appropriately distributed among vendors.

Refer to Note 6, "[INVENTORIES](#)," for a summary of inventory sourced based on vendor location and dollar cost of merchandise receipts during Fiscal 2020.

DISTRIBUTION OF MERCHANDISE INVENTORY

The Company's distribution network is built to deliver inventory to Company-operated and international franchise stores and fulfill digital and wholesale orders with speed and efficiency. Generally, merchandise is shipped directly from vendors to the Company's distribution centers, where it is received and inspected before being shipped to the Company's stores or its digital or wholesale customers.

The Company relies on its distribution centers to manage the receipt, storage, sorting, packing and distribution of its merchandise. Additional information pertaining to certain of the Company's distribution centers as of January 30, 2021 follows:

<u>Location</u>	<u>Company-owned or third-party</u>
New Albany, Ohio (Primarily serves store and digital operations)	Company-owned
New Albany, Ohio (Serves only digital operations)	Company-owned
Bergen op Zoom, Netherlands	Third-party
Shanghai, China	Third-party

In addition, during Fiscal 2019, the Company entered into an agreement for a facility to be located in the Phoenix, Arizona area, with services expected to commence in Fiscal 2021, which is intended to replace the Company's third-party distribution center in Reno, Nevada to increase capacity and improve fulfillment capabilities.

In Fiscal 2020, the Company entered into a short-term lease for an additional distribution center, which has since ended, and diversified its distribution network to mitigate risk from carrier capacity shortages in light of COVID-19, particularly during the Fiscal 2020 holiday season. The Company primarily used four contract carriers to ship merchandise and related materials to its North American customers, and several contract carriers for its international customers during Fiscal 2020.

COMPETITION

The Company operates in a rapidly evolving and highly competitive retail business environment. Competitors include: individual and chain specialty apparel retailers; local, regional, national and international department stores; discount stores; and online- exclusive businesses. Additionally, the Company competes for consumers' discretionary spend with businesses in other product and experiential categories such as technology, restaurants, travel and media content.

The Company competes primarily on the basis of differentiating its brands from competition through: product, higher quality and increased newness; brand voice, amplifying and consolidating brand messaging; and experience, investing in immersive, participatory omnichannel shopping environments.

Operating in a highly competitive industry environment can cause the Company to engage in greater than expected promotional activity, which would result in pressure on average unit retail and gross profit. Refer to "[ITEM 1A. RISK FACTORS - Our failure to operate in a highly competitive and constantly evolving industry could have a material adverse impact on our business](#)" of this Annual Report on Form 10-K for further discussion of the potential impacts competition may have on the Company.

SEASONAL BUSINESS

Historically, the Company's operations have been seasonal in nature and consist of two principal selling seasons: the spring season, which includes the first and second fiscal quarters ("Spring") and the fall season, which includes the third and fourth fiscal quarters ("Fall"). The Company experiences its greatest sales activity during Fall, due to Back-to-School and Holiday sales

periods. Refer to "[ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS](#)" of this Annual Report on Form 10-K for further discussion.

TRADEMARKS

The trademarks Abercrombie & Fitch®, abercrombie®, Hollister®, Gilly Hicks® and the "Moose" and "Seagull" logos are registered with the U.S. Patent and Trademark Office and registered, or the Company has applications for registration pending, with the registries of countries in key markets within the Company's sales and distribution channels. In addition, these trademarks are either registered, or the Company has applications for registration pending, with the registries of many of the foreign countries in which the manufacturers of the Company's products are located. The Company has also registered, or has applied to register, certain other trademarks in the U.S. and around the world. The Company believes its products are identified by its trademarks and, therefore, its trademarks are of significant value. Each registered trademark has a duration of 10 to 20 years, depending on the date it was registered, and the country in which it is registered, and is subject to an indefinite number of renewals for a like period upon continued use and appropriate application. The Company intends to continue using its core trademarks and to timely renew each of its registered trademarks that remain in use.

INFORMATION SYSTEMS

The Company's Company-owned and third-party-operated management information systems consist of a full range of retail, merchandising, human resource and financial systems. These systems include applications related to point-of-sale, digital operations, inventory management, supply chain, planning, sourcing, merchandising, payroll, scheduling and financial reporting. The Company continues to invest in technology to upgrade its core systems to create efficiencies and to support its digital operations, omnichannel capabilities, customer relationship management tools and loyalty programs.

WORKING CAPITAL

Refer to "[ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS](#)" of this Annual Report on Form 10-K for a discussion of the Company's cash requirements and sources of cash available for working capital needs and investment opportunities.

HUMAN CAPITAL MANAGEMENT

The Company strives to create a culture that not only drives strategic and key business priorities forward, but also encourages associates to create a positive impact in their communities. The Company believes that the strength of its unique culture is a competitive advantage, and intends to continue building upon that culture to improve performance across its business. This will become even more important as the Company expands globally and works towards achieving its long-term vision of becoming a leading digital-first omnichannel global apparel retailer.

Therefore, the Company believes that the attraction, retention, and management of qualified talent representing diverse backgrounds, experiences, and skill sets, and fostering a diverse, equitable and inclusive work environment is integral to its success in advancing the Company's strategies and key business priorities and avoiding disruptions in the business. The Company relies on its associates across the organization, including those at its corporate offices, stores, and distribution centers, as well as their experience and expertise in the retail business. Examples of key initiatives that are focused to attract, retain, and manage the Company's human capital resources include the following:

- **Offering competitive compensation and benefits**, including cash-based and equity-based incentive awards in order to align the interests of associates and shareholders.
- **Improving associate engagement** through open communication channels and focusing on development. The Company regularly holds all-company meetings to communicate with its associates and collects feedback through various surveys to better understand associate experience and drive improvements. The Company also strives to provide a wide variety of development opportunities throughout associates' careers in order to be able to pivot resources to align with overall corporate strategies when necessary.
- **Embracing diversity and inclusion** in all forms, including gender, race, ethnicity, disability, nationality, religion, age, veteran, LGBTQIA+ status and other factors. The Company continuously reviews representation, pay and promotion among associates with diverse backgrounds, including those in senior leadership positions. The Company also encourages associates to enhance their understanding of diversity and inclusion through the Company's various associate resource groups which allow associates from different business functions around the world to discuss relevant topics and help address regional-specific needs. Additionally, the Company invests in year-round competency building training for associates on topics of bias, allyship and advocacy.
- **Encouraging community involvement** by promoting various charitable, philanthropic, and social awareness programs, which fosters a collaborative and rewarding work environment.

- **Focusing on the health and safety of its associates** by investing in various wellness programs throughout the year that are designed to enhance the physical, financial, and mental well-being of its associates globally. Refer to "Impact of COVID-19" included in "[ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS](#)" of this Annual Report on Form 10-K for information on actions taken by the Company to support its associates during COVID-19.

The Company employed approximately 34,000 associates globally as of January 30, 2021, of whom approximately 26,900 were part-time associates. As of January 30, 2021, the Company employed approximately 25,000 associates in the U.S., and employed approximately 9,000 associates outside of the U.S. The Company employs temporary, seasonal associates at times, particularly during Fall, when it experiences its greatest sales activity due to Back-to-School and Holiday sales periods.

The number of associates represented by workers' councils and unions is not significant and is generally limited to associates in the Company's European stores.

[Board oversight](#)

A&F's Board of Directors and its committees also play an integral role in the Company's human capital management. For example, the Corporate Social Responsibility Committee of the Board of Directors provides oversight of the Company's attention to issues of social responsibility, including diversity and inclusion, health and safety, human rights, environmental and philanthropy and the Company's policies, practices and progress with respect to such issues. This includes overseeing, making recommendations and evaluating the success of the Company's diversity and inclusion policies and programs, while monitoring current trends and opportunities in corporate diversity outreach. In addition, among other things, the Compensation and Organization Committee of the Board of Directors oversees the Company's overall compensation structure, policies and programs, as well as reviews and approves metrics to be used for the determination of payouts under cash-based and equity-based incentive programs. Members of the Board of Directors also review succession plans for the Company's executive officers and discuss with senior leadership the Company's organizational structure and key reporting relationships, along with development of strategies and practices relating to recruitment, retention and development of the Company's associates as needed.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The executive officers serve at the pleasure of the Board of Directors of A&F. Set forth below is certain information regarding the executive officers of the Company as of March 24, 2021:

[Fran Horowitz, Chief Executive Officer and Director](#)

Age: 57

Executive Roles:

- Chief Executive Officer, Principal Executive Officer and Director (since February 2017)
- Former member of the Office of the Chairman of the Company, which was formed in December 2014 to allow for effective management of the Company during a transition in leadership until it was dissolved in February 2017 upon Ms. Horowitz's appointment as Chief Executive Officer
- Former President and Chief Merchandising Officer for all brands of the Company (December 2015 - February 2017) and former Brand President of Hollister (October 2014 - December 2015)
- Former President of Ann Taylor Loft, a division of Ascena Retail Group, the parent company of specialty retail fashion brands in North America (October 2013 - October 2014)
- Formerly held various roles at Express, Inc., a specialty apparel and accessories retailer of women's and men's merchandise (February 2005 - November 2012), including Executive Vice President of Women's Merchandising and Design (May 2010 - November 2012)
- Formerly held various merchandising roles at Bloomingdale's and various positions at Bergdorf Goodman, Bonwit Teller and Saks Fifth Avenue

Other Leadership Roles:

- Member of the Board of Directors of SeriousFun Children's Network, Inc., a non-profit corporation that provides specially-adapted camp experiences for children with serious illnesses and their families, free of charge (since March 2017)
- Member of Columbus Partnership, a non-profit organization of chief executive officers from leading businesses and institutions in Columbus, Ohio, with the goal of improving economic development in the city that is home to the Company (since May 2018)
- Member of the Board of Directors of Chief Executives for Corporate Purpose (CECP), a CEO-led coalition that helps companies transform their social strategy by providing customized resources (since October 2019)



Gregory J. Henchel, Senior Vice President, General Counsel and Corporate Secretary

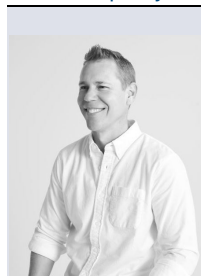


Age: 53

Executive Roles:

- Senior Vice President, General Counsel and Corporate Secretary of the Company (since October 2018)
- Former Executive Vice President, Chief Legal Officer and Secretary of HSN, Inc., a \$3+ billion multi-channel retailer (February 2010 - December 2017)
- Former Senior Vice President and General Counsel of Tween Brands, Inc., a specialty retailer (October 2005 - February 2010) and served as that company's Secretary (August 2008 - February 2010)
- Formerly held various roles at Cardinal Health, Inc., a global medical device, pharmaceutical and healthcare technology company, including Assistant General Counsel of Cardinal Health (2001 - October 2005), and Senior Litigation Counsel (May 1998 - 2001)
- Formerly held position as a litigation associate with the law firm of Jones Day (September 1993 - May 1998)

Scott D. Lipesky, Senior Vice President and Chief Financial Officer



Age: 46

Executive Roles:

- Senior Vice President and Chief Financial Officer of the Company, as well as Principal Financial Officer and Principal Accounting Officer of the Company (since October 2017)
- Prior to rejoining the Company, formerly served as Chief Financial Officer of American Signature, Inc., a privately-held home furnishings company (October 2016 - October 2017)
- Formerly held various leadership roles and finance positions with the Company (November 2007 - October 2016) including: Chief Financial Officer, Hollister Brand (September 2014 - October 2016); Vice President, Merchandise Finance (March 2013 - September 2014); Vice President, Financial Planning and Analysis (November 2012 - March 2013); and Senior Director, Financial Planning and Analysis (November 2010 - November 2012)
- Former Corporate Finance Director with FTI Consulting Inc., a global financial services advisory firm
- Former Director of Corporate Business Development with The Goodyear Tire & Rubber Company
- Formerly held position as a Certified Public Accountant with PricewaterhouseCoopers LLP

Holly May, Senior Vice President and Chief Human Resource Officer



Age: 39

Executive Roles:

- Senior Vice President and Chief Human Resource Officer of the Company (since January 2021)
- Former Senior Vice President, Global Total Rewards & Service Delivery for Starbucks, a global retail company (September 2018 - December 2020)
- Former Vice President, Global Compensation, Mobility and Payroll at Visa, Inc., an electronic payments company (October 2016 - August 2018)
- Formerly held senior positions across human resources at Voya Financial, a financial services company, (September 2012 - October 2016), including Senior Vice President, Human Resources (November 2014 - October 2016)

Other Leadership Roles:

- Member of Board of Trustees of Seattle Children's Hospital and Research Foundation (since 2020)

Kristin Scott, President, Global Brands



Age: 53

Executive Roles:

- President, Global Brands of the Company (since November 2018)
- Former Brand President of Hollister (August 2016 - November 2018)
- Formerly held senior positions at Victoria's Secret, a specialty retailer of women's intimate and other apparel which sells products at Victoria's Secret stores and online (December 2007 - April 2016), including: Executive Vice President, General Merchandise Manager (March 2013 - April 2016); Senior Vice President, General Merchandise Manager (March 2009 - March 2013); and Senior Vice President, General Merchandise Manager - Stores (December 2007 - March 2009)
- Formerly held various planning and merchandising positions at Gap Inc., Target, and Marshall Fields.

GOVERNMENT REGULATIONS

As a global organization, the Company is subject to the laws and regulations of the U.S. and multiple foreign jurisdictions in which it operates. These laws and regulations include, but are not limited to: trade, transportation and logistic laws, including tariffs and import and export regulations; tax laws and regulations; product and consumer safety laws; anti-bribery and corruption laws; employment and labor laws; antitrust or competition laws; data privacy laws; and environmental regulations.

Laws and regulations have had, and may continue to have, a material impact on the Company's operations. In addition, certain governments' responses to COVID-19, such as travel restrictions and local statutory quarantines, negatively impacted the Company's earnings in Fiscal 2020 as is described further within "[ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS](#)" of this Annual Report on Form 10-K.

Refer to "[ITEM 1A. RISK FACTORS](#)," of this Annual Report on Form 10-K for a discussion of the potential impacts regulatory matters may have on the Company in the future, including those related to environmental matters. Compliance with government laws and regulations has not had a material effect on the Company's capital expenditures or competitive position.

OTHER INFORMATION

A&F makes available free of charge on its website, corporate.bercrombie.com, under the “Investors, Financials, SEC Filings,” section, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as soon as reasonably practicable after A&F electronically files such material with, or furnishes it to, the Securities and Exchange Commission (“SEC”). A&F also makes available free of charge in the same section of the Company’s website the definitive proxy materials filed pursuant to Section 14 of the Exchange Act, as soon as reasonably practicable after the Company electronically files such proxy materials with the SEC. The SEC maintains a website that contains electronic filings by the Company and other issuers at www.sec.gov.

A&F has included certain of its website addresses throughout this filing as textual references only. The information contained within these websites is not incorporated into this Annual Report on Form 10-K.

Item 1A. Risk Factors

FORWARD-LOOKING STATEMENTS AND RISK FACTORS.

We caution that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this Annual Report on Form 10-K or made by us, our management or our spokespeople involve risks and uncertainties and are subject to change based on various factors, many of which may be beyond our control. Words such as “estimate,” “project,” “plan,” “believe,” “expect,” “anticipate,” “intend” and similar expressions may identify forward-looking statements. Except as may be required by applicable law, we assume no obligation to publicly update or revise any forward-looking statements. Forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict.

The current outbreak of COVID-19 has caused business disruption beginning in January 2020. In March 2020, the COVID-19 outbreak was declared to be a global pandemic by the World Health Organization. Further, the Company has seen, and expects to continue to see a direct, material adverse impact to sales and operations as a result of COVID-19. COVID-19 poses various risks to the Company, certain of which are detailed throughout this “ITEM 1A. RISK FACTORS”. Any one of these risks, or a combination of risks, could result in further adverse impacts on the Company’s business, results of operations, financial condition and cash flows. In addition, the following factors, categorized by the primary nature of the associated risk, could affect our financial performance and cause actual results to differ materially from those expressed or implied in any of the forward-looking statements.

Macroeconomic and industry risks include:

- COVID-19 has and may continue to materially adversely impact and cause disruption to our business;
- Changes in global economic and financial conditions, and the resulting impact on consumer confidence and consumer spending, as well as other changes in consumer discretionary spending habits could have a material adverse impact on our business;
- Failure to engage our customers, anticipate customer demand and changing fashion trends, and manage our inventory commensurately could have a material adverse impact on our business;
- Our failure to operate effectively in a highly competitive and constantly evolving industry could have a material adverse impact on our business;
- Fluctuations in foreign currency exchange rates could have a material adverse impact on our business;
- Our ability to attract customers to our stores depends, in part, on the success of the shopping malls or area attractions that our stores are located in or around;
- The impact of war, acts of terrorism, mass casualty events, social unrest, civil disturbance or disobedience could have a material adverse impact on our business; and
- The impact of extreme weather, infectious disease outbreaks, including COVID-19, and other unexpected events could result in an interruption to our business, as well as to the operations of our third-party partners, and have a material adverse impact on our business.

Strategic risks include:

- Failure to successfully develop an omnichannel shopping experience, a significant component of our growth strategy, or failure to successfully invest in customer, digital and omnichannel initiatives could have a material adverse impact on our business;
- Our failure to optimize our global store network could have a material adverse impact on our business;
- Our failure to execute our international growth strategy successfully and inability to conduct business in international markets as a result of legal, tax, regulatory, political and economic risks could have a material adverse impact on our business; and
- Our failure to appropriately address emerging environmental, social and governance matters could have a material adverse impact on our reputation and, as a result, our business.

Operational risks include:

- Failure to protect our reputation could have a material adverse impact on our business;
- If our information technology systems are disrupted or cease to operate effectively, it could have a material adverse impact on our business;
- We may be exposed to risks and costs associated with cyber-attacks, data protection, credit card fraud and identity theft that could have a material adverse impact on our business;
- Our reliance on our distribution centers makes us susceptible to disruptions or adverse conditions affecting our supply chain;
- Changes in the cost, availability and quality of raw materials, labor, transportation, and trade relations could have a material adverse impact on our business;
- We depend upon independent third parties for the manufacture and delivery of all our merchandise, and a disruption of the manufacture or delivery of our merchandise could have a material adverse impact on our business;

- We rely on the experience and skills of our executive officers and associates, and the failure to attract or retain this talent, effectively manage succession, and establish a diverse workforce could have a material adverse impact on our business; and
- We identified a material weakness in our internal control over financial reporting and may identify additional material weaknesses in the future. If we fail to remediate our material weaknesses, or if we fail to establish and maintain effective internal control over financial reporting, our ability to accurately and timely report our financial results could be adversely affected.

Legal, tax, regulatory and compliance risks include:

- Fluctuations in our tax obligations and effective tax rate may result in volatility in our results of operations could have a material adverse impact on our business;
- Our litigation exposure, or any securities litigation and shareholder activism, could have a material adverse impact on our business;
- Failure to adequately protect our trademarks could have a negative impact on our brand image and limit our ability to penetrate new markets which could have a material adverse impact on our business;
- Changes in the regulatory or compliance landscape could have a material adverse impact on our business; and
- The agreements related to our senior secured asset-based revolving credit facility and our senior secured notes include restrictive covenants that limit our flexibility in operating our business and our inability to obtain credit on reasonable terms in the future could have an adverse impact on our business.

The factors listed above are not our only risks. Additional risks may arise, and current evaluations of risks may change, which could lead to material, adverse effects on our business, operating results and financial condition. The following sets forth a description of the preceding risk factors that we believe may be relevant to an understanding of our business. These risk factors could cause actual results to differ materially from those expressed or implied in any of our forward-looking statements.

MACROECONOMIC AND INDUSTRY RISKS.

[COVID-19 has and may continue to materially adversely impact and cause disruption to our business.](#)

COVID-19 has had a material adverse effect on our business, including our financial performance and condition, operating results and cash flows, and may continue to materially adversely impact and cause disruption to our business in the future.

As a result of COVID-19, numerous state and local jurisdictions have imposed, and others in the future may impose, shelter-in-place orders, quarantines, executive orders and similar government orders and restrictions for their residents to control the spread of COVID-19. Such orders or restrictions have resulted in temporary store closures, modified store operating hours, a decrease in customer traffic, work stoppages, slowdowns and delays, travel restrictions and cancellation of events, among other effects, thereby negatively impacting our operations. The impact of regulations imposed in the future in response to the pandemic, could, among other things, require that we close our stores or distribution centers or otherwise make it difficult or impossible to operate our business.

Other factors that would negatively impact our ability to successfully operate during the current COVID-19 pandemic include, but are not limited to:

- Our ability to reopen our stores in a timely manner if and when they reopen;
- Our ability to keep our stores open if there is a re-emergence or increase in infection rate;
- Our ability to attract customers to our reopened stores, given the risks, or perceived risks, of gathering in public places;
- Our ability to incentivize and retain associates and to reinstate any furloughed store associates;
- Our ability to obtain rent abatements or enter into rent deferral arrangements with our landlords;
- Our ability to react to changes in anticipated customer demand and manage inventories, which may result in excess inventories;
- Our ability to rely on our distribution centers to manage the receipt, storage, sorting, packing and distribution of our merchandise as the distribution centers are susceptible to local and regional factors, such as system failures, accidents, labor disputes, economic and weather conditions, natural disasters, demographic and population changes;
- Supply chain delays due to closed factories, reduced workforces, scarcity of raw materials and scrutiny or embargoing of goods produced in infected areas, as well as carrier constraints due to an increase in digital sales;
- Fluctuations in the cost, availability and quality of raw materials, as well as costs of labor and transportation;
- A more promotional retail environment or our ability to move existing inventory, may cause us to lower our prices, sell existing inventory at larger discounts than in the past, or write down the value of inventory, and increase the costs and expenses of updating and replacing inventory, negatively impacting our margins;
- Delays in, or our ability to complete, planned store openings on the expected terms or timing, or at all;
- The deterioration or fluctuations in the economic conditions in the U.S. or international markets, which could have an impact on consumer confidence and discretionary consumer spending;
- Our ability to attract, retain and manage our associates during periods of extended work from home arrangements;
- Associates, whether our own or those of our third-party vendors, working offsite through work from home arrangements may rely on residential communication networks and internet providers and may be more susceptible to service

interruptions and cyberattacks, and, this period of uncertainty could result in an increase in phishing and other scams, fraud, money laundering, theft and other criminal activity;

- Fluctuations in foreign currency exchange rates and changes in the effectiveness of our hedging instruments;
- Our ability to successfully execute against our international expansion plans;
- Our ability to preserve liquidity to be able to take advantage of market conditions during periods of temporary store closures; and
- Difficulty accessing debt and equity capital on attractive terms, or at all, and a severe disruption and instability in the global financial markets or deterioration in credit and financing conditions may affect our access to capital necessary to fund business operations or address maturing liabilities.

Factors and uncertainties related to future impacts of COVID-19 on our business, include, but are not limited to:

- The severity and duration of the pandemic, including additional periods of increases or spikes in the number of COVID-19 cases, future mutations or variants of the virus in areas in which we operate;
- The availability and acceptance of effective vaccines or medical treatments;
- The nature and size of federal economic stimulus and other governmental efforts;
- The impact of the pandemic on overall customer demand and consumer behaviors as well as its impact on macroeconomic factors such as general economic uncertainty, unemployment rates, and recessionary pressures; and
- Any unknown consequences on our business performance and initiatives stemming from the substantial investment of time and other resources to the pandemic response.

It is uncertain as to when or if we will be able to resume all store operations and if we will see traffic return to pre-COVID-19 levels in the future. In addition, customers have increasingly relied on technology to shop and to interact with our brands during this unprecedented period and our inability to continue to connect with our customers in this manner going forward could affect our ability to compete and adversely affect our results of operations.

The factors described above may exacerbate other risks within this section of "ITEM 1A. RISK FACTORS". Any future outbreak of any other highly infectious or contagious disease could also have a material adverse impact on our business.

Changes in global economic and financial conditions, and the resulting impact on consumer confidence and consumer spending, as well as other changes in consumer discretionary spending habits could have a material adverse impact on our business.

Our business depends on consumer demand for our merchandise. Consumer preferences and discretionary spending habits, including purchases of our merchandise, can be adversely impacted by recessionary periods and other periods where disposable income is adversely affected. Our performance is subject to factors that affect worldwide economic conditions including unemployment, consumer credit availability, consumer debt levels, reductions in net worth based on declines in the financial, residential real estate and mortgage markets, sales and personal income tax rates, fuel and energy prices, interest rates, consumer confidence in future economic and political conditions, consumer perceptions of personal well-being and security, the value of the U.S. Dollar versus foreign currencies and other macroeconomic factors.

Global uncertainty, such as the ultimate impact of the United Kingdom's recent exit from the European Union, uncertainty with respect to trade policies and COVID-19, has in the past, and could in the future, cause changes in consumer confidence and in consumers' discretionary spending habits globally, resulting in a material adverse effect on our results of operations, liquidity and capital resources.

The economic conditions and factors described above could adversely impact our results of operations, liquidity and capital resources, and may exacerbate other risks within this section of "ITEM 1A. RISK FACTORS". Changes in economic conditions could also impact our ability to fund growth and/or result in our becoming reliant on external financing, the availability and cost of which may be uncertain.

Failure to engage our customers, anticipate customer demand and changing fashion trends, and manage our inventory commensurately could have a material adverse impact on our business.

Our success largely depends on our ability to anticipate and gauge the fashion preferences of our customers and provide merchandise that satisfies constantly shifting demands in a timely manner. Because we may enter into agreements for the manufacture and purchase of merchandise well in advance of the applicable selling season, we are vulnerable to changes in consumer preferences and demand, pricing shifts, and the sub-optimal selection and timing of merchandise purchases.

Moreover, there can be no assurance that we will continue to anticipate consumer demands and accurately plan inventory successfully in the future. Changing consumer preferences and fashion trends, whether we are able to anticipate, identify and respond to them or not, could adversely impact our sales. Inventory levels for certain merchandise styles no longer considered to be "on trend" may increase, leading to higher markdowns to sell through excess inventory and, therefore, lower than planned margins. Conversely, if we underestimate consumer demand for our merchandise, or if our manufacturers fail to supply quality products in a timely manner, we may experience inventory shortages, which may negatively impact customer relationships, diminish brand loyalty and result in lost sales.

We could also be at a competitive disadvantage if we are unable to leverage data analytics to retrieve timely, customer insights to appropriately respond to customer demands and improve customer engagement. Any of these events could significantly harm our operating results and financial condition.

In addition to our own execution, we also need to react to factors affecting inventory flow that are outside our control, such as natural disasters or other unforeseen events that may significantly impact anticipated customer demand as we have seen with COVID-19. If we are not able to adjust appropriately to such factors, our inventory management may be affected, which could adversely impact our performance and our reputation.

Our failure to operate effectively in a highly competitive and constantly evolving industry could have a material adverse impact on our business.

The sale of apparel, personal care products and accessories for men, women and kids is a highly competitive business with numerous participants, including individual and chain specialty apparel retailers, local, regional, national and international department stores, discount stores and online-exclusive businesses. Proliferation of the digital channel within the last few years has encouraged the entry of many new competitors and an increase in competition from established companies. These increases in competition could reduce our ability to retain and grow sales, resulting in an adverse impact to our operating results and business.

We also face a variety of challenges in the highly competitive and constantly evolving retail industry, including:

- anticipating and quickly responding to changing consumer shopping preferences better than our competitors;
- maintaining favorable brand recognition;
- marketing our products to consumers in several diverse demographic markets effectively, including through social media platforms which have become increasingly more important during the COVID-19 pandemic in order to stay connected to our customers;
- retaining customers, including our loyalty club members, as if we were to fail, it could result in increased marketing costs to acquire new customers;
- developing innovative, high-quality merchandise in styles that appeal to consumers and in ways that favorably distinguish us from our competitors;
- countering the aggressive pricing and promotional activities of many of our competitors without diminishing the aspirational nature of our brands and brand equity; and
- identifying and assessing disruptive innovation, by existing or new competitors, that could alter the competitive landscape by: improving the customer experience and heightening customer expectations; transforming supply chain and corporate operations through digital technologies and artificial intelligence; and enhancing management decision-making through use of data analytics to develop new, consumer insights.

In addition, in order to compete in this highly competitive and constantly evolving industry, at times, we may launch and/or acquire new brands to expand our portfolio. This could result in significant financial and operational investments that do not provide the anticipated benefits or desired rates of return and there can be no guarantee that pursuing these investments will result in improved operating results.

In light of the competitive challenges we face, we may not be able to compete successfully in the future.

Fluctuations in foreign currency exchange rates could have a material adverse impact on our business.

Due to our international operations, we are exposed to foreign currency exchange rate risk with respect to our sales, profits, assets and liabilities denominated in currencies other than the U.S. dollar. In addition, certain of our subsidiaries transact in currencies other than their functional currency, including intercompany transactions, which results in foreign currency transaction gains or losses. Furthermore, we purchase substantially all of our inventory in U.S. Dollars. As a result, our sales, gross profit and gross profit rate from international operations will be negatively impacted during periods of a strengthened U.S. dollar relative to the functional currencies of our foreign subsidiaries, as was the case in Fiscal 2019.

Fluctuations in foreign currency exchange rates could adversely impact consumer spending, delay or prevent successful penetration into new markets or adversely affect the profitability of our international operations. Certain events, such as the uncertainty as to the ultimate scope and duration of COVID-19, the ultimate impact of the United Kingdom's recent exit from the European Union and uncertainty with respect to trade policies, tariffs and government regulations affecting trade between the U.S. and other countries, have increased global economic and political uncertainty in recent years and could result in volatility of foreign currency exchange rates as these events develop. For example, changes in sales assumptions in response to COVID-19 have resulted in changes in the effectiveness to certain of our hedging instruments, and we could see similar impacts in future periods.

[Our ability to attract customers to our stores depends, in part, on the success of the shopping malls or area attractions that our stores are located in or around.](#)

Our stores are primarily located in shopping malls and other shopping centers, certain of which had been experiencing declines in customer traffic prior to COVID-19. Our sales at these stores, as well as sales at our flagship locations, are partially dependent upon the volume of traffic in those shopping centers and the surrounding area. Our stores may benefit from the ability of a shopping center's other tenants and area attractions to generate consumer traffic in the vicinity of our stores and the continuing popularity of the shopping center. We cannot control the loss of a significant tenant in a shopping mall or area attraction, the development of new shopping malls in the U.S. or around the world, the availability or cost of appropriate locations or the success of individual shopping malls and there is competition with other retailers for prominent locations.

If the popularity of shopping malls declines among our customers, our sales may decline, and it may be appropriate to exit leases earlier than originally anticipated. In addition, COVID-19 has caused public health officials to recommend precautions to mitigate the spread of the virus, especially when congregating in heavily populated areas, such as shopping malls, and caused us to enact widespread temporary store closures and our landlords to temporarily close certain of the malls in which our stores operate.

While the majority of stores have reopened since their initial closure in March 2020, we continue to see reclosures in certain geographic areas, primarily within Europe, and there is significant uncertainty surrounding the ultimate duration of these closures as well as temporary store closures that may take place in the future. In Fiscal 2020, we experienced store traffic below Fiscal 2019 levels and there remains uncertainty as to the long-term effects of COVID-19 on consumer willingness to visit shopping malls in the future, and whether store traffic will return to pre-COVID-19 levels. Furthermore, declines in traffic beyond our current expectations could result in additional impairment charges. While we have been successful in obtaining certain rent abatements and landlord concessions of rent payable during Fiscal 2020 as a result of COVID-19 store closures, we may be limited in our ability to obtain rent abatements or landlord concessions of rent otherwise payable going forward.

All of these factors may impact our ability to meet our productivity or our growth objectives for our stores and could have a material adverse impact on our financial condition or results of operations. Part of our future growth is dependent on our ability to operate stores in desirable locations, with capital investment and lease costs providing the opportunity to earn a reasonable return. We cannot be sure when or whether such desirable locations will become available at reasonable costs.

[The impact of war, acts of terrorism, mass casualty events, social unrest, civil disturbance or disobedience could have a material adverse impact on our business.](#)

In the past, the impact of war, acts of terrorism, mass casualty events, social unrest, civil disturbance or disobedience and the associated heightened security measures in response to these events have disrupted commerce. Further events of this nature, domestic or abroad, including recent unrest in the U.S., Europe and in China's Hong Kong SAR, may disrupt commerce and undermine consumer confidence and consumer spending by causing a decline in traffic, store closures and a decrease in digital demand adversely affecting our operating results.

Furthermore, the existence or threat of any other unforeseen interruption of commerce, could negatively impact our business by interfering with the availability of raw materials or our ability to obtain merchandise from foreign manufacturers. With a substantial portion of our merchandise being imported from foreign countries, failure to obtain merchandise from our foreign manufacturers or substitute other manufacturers, at similar costs and in a timely manner, could adversely affect our operating results and financial condition.

[The impact of extreme weather, infectious disease outbreaks, including COVID-19, and other unexpected events could result in an interruption to our business, as well as to the operations of our third-party partners, and have a material adverse impact on our business.](#)

Our retail stores, corporate offices, distribution centers, infrastructure projects and digital operations, as well as the operations of our vendors and manufacturers, are vulnerable to disruption from natural disasters, infectious disease outbreaks and other unexpected events, such as COVID-19. These events could disrupt the operations of our corporate offices, global stores and supply chain and those of our third-party partners, including our vendors and manufacturers. In addition to impacts on global operations, these events could result in the potential loss of customers and revenues as a result of store closures, delay in merchandise deliveries, reduced consumer confidence or changes in consumers' discretionary spending habits.

These events could reduce the availability and quality of the fabrics or other raw materials used to manufacture our merchandise, which could result in delays in responding to consumer demand resulting in the potential loss of customers and revenues or we may incur increased costs to meet demand and may not be able to pass all or a portion of higher costs on to our customers, which could adversely affect our gross margin and results of our operations.

We could also be adversely affected if government authorities impose mandatory store closures as we experienced in Fiscal 2020 as a result of COVID-19, or restrict the import or export of products, in response to an unexpected event such as an infectious disease outbreak. Even if such measures are not implemented or infectious disease does not spread significantly, the

perceived risk of infection or health risk may adversely affect our business and operating results. The extent of impacts of COVID-19 or future infectious disease outbreaks may be exacerbated depending on the emergence of new variants or strains as well as the availability and acceptance of effective vaccines or medical treatments.

Our business has been materially, adversely impacted by COVID-19. Refer to risk factor "[COVID-19 has and may continue to materially adversely impact and cause disruption to our business](#)," included within this section for further discussion of the ongoing impacts and risks related to COVID-19.

In addition, historically, our operations have been seasonal, and extreme weather conditions, including natural disasters, unseasonable weather or changes in weather patterns, may diminish demand for our seasonal merchandise and could also influence consumer preferences and fashion trends, consumer traffic and shopping habits. In addition, we may incur costs that exceed our applicable insurance coverage for any necessary repairs to damages or business disruption.

STRATEGIC RISKS.

[Failure to successfully develop an omnichannel shopping experience, a significant component of our growth strategy, or failure to successfully invest in customer, digital and omnichannel initiatives could have a material adverse impact on our business.](#)

As omnichannel retailing continues to grow and evolve, our customers increasingly interact with our brands through a variety of media including smart phones and tablets, and expect seamless integration across all touchpoints. As our success depends on our ability to respond to shifting consumer traffic patterns and ability to engage our customers, we have made significant investments and significant operational changes to develop our digital and omnichannel capabilities globally, including the development of localized fulfillment, shipping and customer service operations, investments in digital media to attract new customers and the rollout of omnichannel capabilities listed in "[ITEM 1. BUSINESS](#)."

While we must keep up to date with emerging technology trends in the retail environment in order to develop a successful omnichannel shopping experience, it is possible these initiatives may not prove to be successful, may increase our costs, may not succeed in driving sales or attracting customers and could result in significant investments that do not provide the anticipated benefits or desired rates of return. For example, we could be at a competitive disadvantage if we are unable to leverage data analytics to retrieve timely, customer insights to appropriately respond to customer demands and improve customer engagement across channels.

In addition, digital operations are subject to numerous risks, including reliance on third-party computer hardware/software and service providers, data breaches, violations of state, federal or international laws, including those relating to online privacy, credit card fraud, telecommunication failures and electronic break-ins and similar disruptions, and disruption of internet service. Changes in foreign governmental regulations may also negatively impact our ability to deliver product to our customers. Failure to successfully respond to these risks may adversely affect sales as well as damage the reputation of our brands.

[Our failure to optimize our global store network could have a material adverse impact on our business.](#)

With the evolution of digital and omnichannel capabilities, customer expectations have shifted and there has been greater pressure for a seamless omnichannel experience across all channels. In addition, the majority of the Company's sales in Fiscal 2020 occurred within the digital channel as a result of COVID-19's influence on consumer shopping behaviors which may have a lasting impact on consumer shopping behaviors in the future. As a result, global store network optimization is an important part of our business and failure to optimize our global store network could have an adverse impact on our results of operations.

Opportunities to open new stores experiences and modify existing leases requires partnership with our landlords. If our partnerships with our landlords were to deteriorate, this could adversely affect the pace of opening new store experiences and/or lead to an increase in store closures. In addition, if there is an increase in events such as landlord bankruptcies, or mall foreclosures, competition between retailers could increase for remaining suitable store locations. Pursuing the wrong opportunities and any delays, cost increases, disruptions or other uncertainties related to those opportunities could adversely affect our results of operations. If our investments in new stores or remodeling and right-sizing existing stores do not achieve appropriate returns, our financial condition and results of operations could be adversely affected.

Although we attempt to open new stores in prominent locations, it is possible that prominent locations when we opened our stores may cease to be viewed as prominent. For example, our flagship stores, large-format stores in tourist locations with higher than average construction and operating costs, were initially successful upon opening, but are now outdated and, in aggregate, have a disproportionate adverse impact on operating results. The cost involved to modernize many of these flagship stores is significant and oftentimes without promise of a return. As a result, we may elect to exit these leases and other of our store leases earlier than originally anticipated, or modify the leases, which could result in material incremental charges, as seen in the second quarter of Fiscal 2019 when we closed the SoHo, New York City Hollister flagship store.

[Our failure to execute our international growth strategy successfully and inability to conduct business in international markets as a result of legal, tax, regulatory, political and economic risks could have a material adverse impact on our business.](#)

International expansion is a significant component of our growth strategy and may require significant investment, which could strain our resources and adversely impact current store performance, while adding complexity to our current operations.

Operational issues that could have a material adverse effect on our reputation, business and results of operations if we fail to address them include, but are not limited to, the following:

- address the different operational characteristics present in each country in which we operate, including employment and labor, transportation, logistics, real estate, lease provisions and local reporting or legal requirements;
- support global growth by successfully implementing local customer and product-facing teams and certain corporate support functions at our regional headquarters located in Shanghai, China and London, United Kingdom;
- hire, train and retain qualified personnel;
- maintain good relations with individual associates and groups of associates;
- avoid work stoppages or other labor-related issues in our European stores where associates are represented by workers' councils and unions;
- retain acceptance from foreign customers;
- manage inventory effectively to meet the needs of existing stores on a timely basis; and
- manage foreign currency exchange rate risks effectively.

We are subject to domestic laws, including the Foreign Corrupt Practices Act, in addition to the laws of the foreign countries in which we operate. If any of our overseas operations, or our associates or agents, violate such laws, we could become subject to sanctions or other penalties that could negatively affect our reputation, business and operating results.

In addition, there continues to be global uncertainty, such as the uncertainty as to the ultimate scope and duration of COVID-19, the ultimate impact of the United Kingdom's recent exit from the European Union and uncertainty with respect to trade policies, tariffs and government regulations affecting trade between the U.S. and other countries, and similar events of global unrest. These events have increased global economic and political uncertainty in recent years and could affect our international expansion plans.

[Our failure to appropriately address emerging environmental, social and governance matters could have a material adverse impact on our reputation and, as a result, our business.](#)

There is an increased focus from certain investors, customers, associates, business partners and other stakeholders concerning environmental, social and governance matters.

The expectations related to environmental, social and governance matters are rapidly evolving, and from time to time, we announce certain initiatives and goals, related to environmental, social or governmental matters, such as those announced in Fiscal 2019 through our participation in the United Nations Global Compact. We could fail, or be perceived to fail to act responsibly, in our environmental, social and governance efforts, or we could fail in accurately reporting our progress on such initiatives and goals. In addition, we could be criticized for the scope of such initiatives or goals. As a result, we could suffer negative publicity and our reputation could be adversely impacted, which in turn could have a negative impact on investor perception and our products' acceptance by consumers. This may also impact our ability to attract and retain talent to compete in the marketplace.

There is also greater uncertainty following the recent November 2020 U.S. elections regarding potential policies related to issues surrounding global environmental sustainability. Changes in the legal or regulatory environment affecting responsible sourcing, supply chain transparency, or environmental protection, among others, including regulations to limit carbon dioxide and other greenhouse gas emissions, to discourage the use of plastic or to limit or to impose additional costs on commercial water use may result in increased compliance costs for us and our business partners.

OPERATIONAL RISKS.

[Failure to protect our reputation could have a material adverse impact on our business.](#)

Our ability to maintain our reputation is critical and public perception about our products or operations, whether justified or not, could impair our reputation, involve us in litigation, damage our brands and have a material adverse impact on our business.

Events that could jeopardize our reputation, include, but are not limited to, the following:

- We fail to maintain high standards for merchandise quality and integrity;
- We fall victim to a cyber-attack, resulting in customer data being compromised;
- We fail to comply with ethical, social, product, labor, health and safety, accounting or environmental standards, or related political considerations;
- Our associates' actions don't align with our values and fail to comply with our Associate Code of Conduct;

- Third parties with which we have a business relationship, including our brand representatives and influencer network, fail to represent our brands in a manner consistent with our brand image or act in a way that harms their reputation; and
- Third-party vendors fail to comply with our Vendor Code of Conduct or any third parties with which we have a business relationship with fail to represent our brands in a manner consistent with our brand image.

Our position or perceived lack of position on environmental, social, governance, public policy or other similar issues, including any actions we have taken in response to COVID-19, and any perceived lack of transparency about those matters could also harm our reputation with consumers or investors.

In addition, in recent years there has been increase in social media platforms and our use of social media platforms is an important element of our omnichannel marketing efforts, which became increasingly more important during the COVID-19 pandemic in order to stay connected to our customers. For example, we maintain various social media accounts for our brands, including Instagram, TikTok, Facebook, Twitter and Pinterest accounts. Actions taken by individuals that we partner with, such as brand representatives, influencers or our associates, that fail to represent our brands in a manner consistent with our brand image or act in a way that harms their reputation, whether through our social media platforms or their own, could harm our brand reputation and materially impact our business. Social media also allows for anyone to provide public feedback that could influence perceptions of our brands and reduce demand for our merchandise.

Damage to our reputation and loss of consumer confidence for these or any other reasons could lead to adverse consumer actions, including boycotts, negative impacts on investor perception and could impact our ability to attract and retain the talent necessary to compete in the marketplace, all of which could have a material adverse impact on our business, as well as require additional resources to rebuild our reputation.

[If our information technology systems are disrupted or cease to operate effectively, it could have a material adverse impact on our business.](#)

We rely heavily on our information technology systems in both our customer-facing and corporate operations to: operate our websites and mobile apps; record and process transactions; respond to customer inquiries; manage inventory; purchase, sell and ship merchandise, on a timely basis; maintain cost-efficient operations; create a customer relationship management database through our loyalty programs; and complete other customer-facing and business objectives. Given the significant number of transactions that are completed annually, it is vital to maintain constant operation of our computer hardware, telecommunication systems and software systems, and maintain data security. Despite efforts to prevent such an occurrence, our information technology systems may be vulnerable from time to time to damage or interruption from computer viruses, power system failures, third-party intrusions, inadvertent or intentional breach by our associates or third-party service providers, and other technical malfunctions. If our systems are damaged, fail to function properly, or are obsolete in comparison to those of our competition, we may have to make monetary investments to repair or replace the systems, and we could endure delays in our operations. The effectiveness of these investments can be less predictable than others and may fail to provide the expected benefits.

While we regularly evaluate our information technology systems and requirements, we are aware of the inherent risks associated with replacing and modifying these systems, including inaccurate system information, system disruptions and user acceptance and understanding. Any material disruption or slowdown of our systems, including a disruption or slowdown caused by our failure to successfully upgrade our systems could cause information to be lost or delayed, including data related to customer orders. Such a loss or delay, especially if the disruption or slowdown occurred during our peak selling seasons, could have a material adverse effect on our results of operations.

[We may be exposed to risks and costs associated with cyber-attacks, data protection, credit card fraud and identity theft that could have a material adverse impact on our business.](#)

In the standard course of business, we receive and maintain confidential information about customers, associates and other third parties. In addition, third parties also receive and maintain certain confidential information. The protection of this information is critical to our business and subjects us to numerous laws, rules and regulations domestically and in foreign jurisdictions. The retail industry in particular has been the target of many recent cyber-attacks and it is possible that an individual or group could defeat our security measures, or those of a third-party service provider, and access confidential information. Further, like other companies in the retail industry, during the ordinary course of business, we and our vendors have in the past experienced, and we expect to continue to experience, cyber-attacks of varying degrees and types, including phishing, and other attempts to breach, or gain unauthorized access to, our systems. To date, these attacks have not had a material impact on our operations, but we cannot provide assurance that cyber attacks will not have a material impact in the future.

We could experience increased costs associated with protecting confidential information through the implementation of security technologies, processes and procedures, including training programs for associates to raise awareness about phishing, malware and other cyber risks, especially as we implement new technologies, such as new payment capabilities or updates to our mobile apps and websites. Additionally, the techniques and sophistication used to conduct cyber-attacks and breaches of information technology systems change frequently and increase in complexity and are often not recognized until such attacks are launched

or have been in place for a period of time. We may not have the resources or technical sophistication to anticipate, prevent, or immediately identifying cyber-attacks.

Furthermore, the global regulatory environment is increasingly complex and demanding with frequent new and changing requirements surrounding cybersecurity, information security and privacy, including the China Cybersecurity Law, the California Consumer Privacy Act, and the European Union's General Data Protection Regulation. We may incur significant costs related to compliance with these laws and failure to comply with these regulatory standards, and others, could have a material adverse impact on our business.

In addition, our business has been adversely impacted by COVID-19, and as a result, we have implemented a work-from-home policy that applies to a significant majority of our corporate associates, as have certain of our third-party vendors. Offsite working by associates, increased use of public Wi-Fi, and use of office equipment off premises may be necessary, and may make our business more vulnerable to cybersecurity breach attempts. In addition, this period of uncertainty could result in an increase in phishing and other scams, fraud, money laundering, theft and other criminal activity.

If we, or a third-party partner, were to fall victim to a successful cyber-attack, suffer intentional or unintentional data and security breaches by associates or third-parties, it could have a material adverse impact on our business, especially an event that compromises customer data or results in the unauthorized release of confidential business or customer information. In addition, if we are unable to avert a denial of service attack that renders our site inoperable, it could result in negative consequences, such as lost sales and customer dissatisfaction. Additional negative consequences that could result from these and similar events may include, but are not limited to:

- remediation costs, such as liability for stolen assets or information, potential legal settlements to affected parties, repairs of system damage, and incentives to customers or business partners in an effort to maintain relationships after an attack;
- increased cybersecurity protection costs, which may include the costs of making organizational changes, deploying additional personnel and protection technologies, training associates, and engaging third party experts and consultants;
- lost revenues resulting from the unauthorized use of proprietary information or the failure to retain or attract customers following an attack;
- litigation and legal risks, including costs of litigation and regulatory, fines, penalties or actions by domestic or international governmental authorities;
- increased insurance premiums;
- reputational damage that adversely affects customer or investor confidence; and
- damage to the Company's competitiveness, stock price, and long-term shareholder value.

Although we maintain cybersecurity insurance, there can be no assurance that it will be sufficient for a specific cyber incident, or that insurance proceeds will be paid to us in a timely fashion.

[Our reliance on our distribution centers makes us susceptible to disruptions or adverse conditions affecting our supply chain.](#)

Our distribution center operations are susceptible to local and regional factors, such as system failures, accidents, labor disputes, economic and weather conditions, natural disasters, demographic and population changes, as well as other unforeseen events and circumstances, such as COVID-19. We rely on our distribution centers to manage the receipt, storage, sorting, packing and distribution of our merchandise. If our distribution centers are not adequate to support our operations, including as a result of capacity constraints in response to an increase in digital sales, we could experience adverse impacts such as shipping delays and customer dissatisfaction. In addition, if our distribution operations were disrupted, and we were unable to relocate operations or find other property adequate for conducting business, our ability to replace inventory in our stores and process digital and third-party orders could be interrupted, potentially resulting in adverse impacts to sales or increased costs. Refer to "[ITEM 1. BUSINESS](#)," for a listing of certain distribution centers on which we utilize.

[Changes in the cost, availability and quality of raw materials, labor, transportation, and trade relations could have a material adverse impact on our business.](#)

Changes in the cost, availability and quality of the fabrics or other raw materials used to manufacture our merchandise and fluctuations in the cost of transportation could have a material adverse effect on our cost of sales, or our ability to meet customer demand. The prices for such fabrics depend largely on the market prices for the raw materials used to produce them, particularly cotton, as well as the cost of compliance with sourcing laws. The price and availability of such raw materials may fluctuate significantly, depending on many factors, including crop yields, weather patterns and other unforeseen events.

In addition, we have experienced increasing wage pressures in recent years related to the cost of labor at our third-party manufacturers, at our distribution centers and at our stores. For example, recent government initiatives in the U.S. or changes to existing laws, such as the adoption and implementation of national, state, or local government proposals relating to increases in minimum wage rates, may increase our costs of doing business and adversely affect our results of operations. We may not be able to pass all or a portion of higher labor costs on to our customers, which could adversely affect our gross margin and results of operations.

We primarily used four contract carriers to ship merchandise and related materials to our North American customers, and several contract carriers for our international customers. If the shipping operations of these third-parties were disrupted, and we are unable to respond in a quick and efficient manner, our ability to replace inventory in our stores and process digital and third-party orders could be interrupted, potentially resulting in adverse impacts to sales or increased costs.

In addition, there continues to be global uncertainty, such as to the ultimate scope and duration of COVID-19, the ultimate impact of the United Kingdom's recent exit from the European Union and uncertainty with respect to trade policies, tariffs and government regulations affecting trade between the U.S. and other countries, and similar events of global, political unrest. These events have increased global uncertainty and have impacted and may in the future impact the cost, availability and quality of merchandise, as well as the cost, availability and quality of the fabrics or other raw materials used to manufacture our merchandise. For example, factors that may negatively impact our ability to successfully operate during the current COVID-19 pandemic include, but are not limited to supply chain delays due to closed factories, continued shipping container shortages, reduced workforces, scarcity of raw materials and scrutiny or embargoing of goods produced in infected areas.

In addition, compliance with the recent sanctions and customs trade orders issued by the U.S. government related to entities and individuals who are connected to the China's Xinjiang Uyghur Autonomous Region, could affect the global supply chain and the price of cotton in the marketplace. We may face regulatory challenges in complying with applicable sanctions and trade regulations and reputational challenges with our consumers and other stakeholders if we are unable to sufficiently verify the origins for the material sourced.

We may not be able to pass all or a portion of higher raw materials prices or labor or transportation costs on to our customers, which could adversely affect our gross margin and results of operations. Such factors listed above may be exacerbated by legislation and regulations associated with global trade policies and climate change.

We depend upon independent third parties for the manufacture and delivery of all our merchandise, and a disruption of the manufacture or delivery of our merchandise could have a material adverse impact on our business.

We do not own or operate any manufacturing facilities. As a result, the continued success of our operations is tied to our timely receipt of quality merchandise from third-party manufacturers. We source the majority of our merchandise outside of the U.S. through arrangements with approximately 100 vendors, primarily located in southeast Asia. Political, social or economic instability in the regions in which our manufacturers are located could cause disruptions in trade, including exports to the U.S. In addition, the inability of vendors to access liquidity, or the insolvency of vendors, could lead to their failure to deliver merchandise to us. A manufacturer's inability to ship orders in a timely manner or meet our quality standards could cause delays in responding to consumer demand and negatively affect consumer confidence or negatively impact our competitive position, any of which could have a material adverse effect on our financial condition and results of operations.

All factories that we partner with are contractually required to adhere to the Company's Vendor Code of Conduct, go through social audits which include on-site walk-throughs to appraise the physical working conditions and health and safety practices, and review payroll and age documentation. If our factories are unwilling or not able to meet the standards set forth within the Company's Vendor Code of Conduct, it could limit the options available to us and could result in an increase of costs of manufacturing, which we may not be able to pass on to our customers.

Other events that could disrupt the timely delivery of our merchandise include new trade law provisions or regulations, reliance on a limited number of shipping carriers and associated alliances, weather events, significant labor disputes, port congestion and other unexpected events, such as COVID-19. Furthermore, we are susceptible to increases in fuel costs which may increase the cost of distribution. If we are not able to pass this cost on to our customers, our financial condition and results of operations could be adversely affected.

We rely on the experience and skills of our executive officers and associates, and the failure to attract or retain this talent, effectively manage succession, and establish a diverse workforce could have a material adverse impact on our business.

Our ability to succeed may be adversely impacted if we are not able to attract, retain and develop talent and future leaders, including our executive officers. We believe that the attraction, retention, and management of qualified talent is integral to our success in advancing our strategies and key business priorities and avoiding disruptions in our business. We rely on our associates across the organization, including those at our corporate offices, stores, and distribution centers, as well as their experience and expertise in the retail business.

Our executive officers closely supervise all aspects of our operations, including the design of our merchandise, have substantial experience and expertise in the retail business and have an integral role in the growth and success of our brands. If we were to lose the benefit of the involvement of executives or other personnel, without adequate succession plans, our business could be adversely affected.

In addition, if we are unable to attract and retain talent at the associate level without adequate succession plans, our business could also adversely be impacted as competition for such qualified talent is intense, and we cannot be sure we will be able to attract, retain and develop a sufficient number of qualified individuals in future periods. For example, as automation, artificial

intelligence and similar technological advancements continue to evolve, we may need to compete for talent that is familiar with these advancements in technologies in order to compete effectively with our industry peers. If we are not successful in these efforts, our business may be adversely affected.

COVID-19 has also caused public health officials to recommend precautions to mitigate the spread of the virus, especially when congregating in heavily populated areas, such as shopping malls. Our business could be adversely affected if we experienced a large capacity of store associates that are either unwilling or unable to staff our stores as a result of concerns over COVID-19, similar infectious disease in the future or other safety concerns.

If we are not successful in these efforts or fail to successfully execute against the key initiatives that are focused on attracting, retaining and managing our human capital resources listed in "[ITEM 1. BUSINESS](#)," our business could be adversely impacted.

We identified a material weakness in our internal control over financial reporting and may identify additional material weaknesses in the future. If we fail to remediate our material weaknesses, or if we fail to establish and maintain effective internal control over financial reporting, our ability to accurately and timely report our financial results could be adversely affected.

The effectiveness of any controls or procedures is subject to certain inherent limitations, and as a result, there can be no assurance that our controls and procedures will prevent or detect misstatements. Even an effective system of internal control over financial reporting will provide only reasonable, not absolute, assurance with respect to financial statement preparation. Also, projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

With the participation of the Chief Executive Officer of A&F and the Senior Vice President and Chief Financial Officer of A&F, management evaluated the effectiveness of A&F's internal control over financial reporting as of January 30, 2021 using criteria established in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on management's assessment of A&F's internal control over financial reporting, under the criteria described in the preceding sentence, management has identified a control deficiency during the fiscal year ended January 30, 2021, that constituted a material weakness as described within "[ITEM 9A. CONTROLS & PROCEDURES](#)."

If we fail to remediate the material weakness, or are otherwise unable to maintain effective internal control over financial reporting, management could be required to expend significant resources and we could fail to meet our public reporting requirements on a timely basis, and be subject to fines, penalties, investigations or judgements, all of which could negatively affect investor confidence and adversely impact our stock price.

LEGAL, TAX, REGULATORY AND COMPLIANCE RISKS.

Fluctuations in our tax obligations and effective tax rate may result in volatility in our results of operations could have a material adverse impact on our business.

We are subject to income taxes in many U.S. and foreign jurisdictions. In addition, our products are subject to import and excise duties and/or sales, consumption or value-added taxes ("VAT") in many jurisdictions. We record tax expense based on our estimates of future payments, which include reserves for estimates of probable settlements of foreign and domestic tax audits. At any one time, many tax years are subject to audit by various taxing jurisdictions. The results of these audits and negotiations with taxing authorities may affect the ultimate settlement of these issues. As a result, we expect that throughout the year, there could be ongoing variability in our quarterly tax rates as taxable events occur and exposures are evaluated. In addition, our effective tax rate in any given financial reporting period may be materially impacted by changes in the mix and level of earnings or losses by taxing jurisdictions or by changes to existing accounting rules or regulations. Fluctuations in duties could also have a material impact on our financial condition, results of operations or cash flows.

In some international markets, we are required to hold and submit VAT to the appropriate local tax authorities. Failure to correctly calculate or submit the appropriate amounts could subject us to substantial fines and penalties that could have an adverse effect on our financial condition, results of operations or cash flows.

There is also heightened scrutiny on the potential taxation of digital businesses. For example, the Organization for Economic Co-Operation and Development (the "OECD") has had a specific focus on the taxation implications of e-commerce business, generally referred by the OECD as the "digital economy," proposed an approach which would, among other changes, create a new right to tax certain "digital economy" income not necessarily based on traditional nexus concepts nor on the "arm's length principle." At this point, there is a lack of consensus agreement among members with the latest OECD proposal. A failure to reach full consensus on an executable plan within the tight timeframe under which the OECD is operating could result in individual jurisdictions legislating digital tax provisions in an uncoordinated and unilateral manner, and further result in greater or even double taxation that companies may not have sufficient means to remedy. Efforts to alleviate any increased tax burden may increase the cost of structuring and compliance, adversely impacting our business.

In the past, tax law has been enacted, domestically and abroad, impacting our current or future tax structure and effective tax rate, such as the Tax Cuts and Jobs Act of 2017 and Swiss Tax Reform discussed further in Note 12, "[INCOME TAXES](#)." Tax law may be enacted in the future, domestically or abroad, that impacts our current or future tax structure and effective tax rate,

including tax law that may be enacted following the recent November 2020 U.S. elections or in response to the COVID-19 crisis, both of which have introduced greater uncertainty with respect to tax policies, laws and regulations. For example, certain jurisdictions may introduce new tax law or reconsider existing laws to assist with covering the costs of the COVID-19 crisis in efforts to restore public finances, which could have a material impact on our business.

[Our litigation exposure, or any securities litigation and shareholder activism, could have a material adverse impact on our business.](#)

We, along with third parties we do business with, are involved, from time to time, in litigation arising in the ordinary course of business. Litigation matters may include, but are not limited to, contract disputes, employment-related actions, labor relations, commercial litigation, intellectual property rights, product safety, environmental matters and shareholder actions.

Shareholder activism, which could take many forms or arise in a variety of situations, has been increasing in publicly traded companies recently. Due to the potential volatility of our stock price and for a variety of other reasons, we may become the target of securities litigation or shareholder activism.

Additionally, while we have continued to prioritize the health and safety of our associates and customers as we continue to operate during COVID-19, we face an increased risk of litigation related to our operating environments, including litigation risk related to potential workplace lawsuits and may incur significant increased operating costs associated with potential increases in insurance premiums, medical claims costs, and/or workers' compensation claim costs, which could negatively affect our results of operations both during and after the pandemic. In addition, while the Company has been successful in obtaining certain rent abatements and landlord concessions of rent payable during Fiscal 2020 as a result of COVID-19 store closures, the Company continues to engage with our landlords to find a mutually beneficial and agreeable path forward for certain of our other leases.

Any litigation that we become a party to could be costly and time consuming and could divert our management and key personnel from our business operations. Our current litigation exposure could be impacted by various factors, including, but not limited to: litigation trends; discovery of additional facts with respect to legal matters pending against us; or determinations by judges, juries or other finders of fact that are not in accordance with management's evaluation of existing claims. Should management's evaluation prove incorrect, our exposure could greatly exceed expectations and have a material adverse effect on our financial condition, results of operations or cash flows.

[Failure to adequately protect our trademarks could have a negative impact on our brand image and limit our ability to penetrate new markets which could have a material adverse impact on our business.](#)

We believe our core trademarks, Abercrombie & Fitch®, abercrombie®, Hollister®, Gilly Hicks® and the "Moose" and "Seagull" logos, are essential to the effective implementation of our strategy. We have obtained or applied for federal registration of these trademarks with the U.S. Patent and Trademark Office and the registries of countries in key markets within the Company's sales and distribution channels. In addition, these trademarks are either registered, or the Company has applications for registration pending, with the registries of many of the foreign countries in which the manufacturers of the Company's products are located. There can be no assurance that we will obtain registrations that have been applied for or that the registrations we obtain will prevent the imitation of our products or infringement of our intellectual property rights by others. Although brand security initiatives are in place, we cannot guarantee that our efforts against the counterfeiting of our brands will be successful. If a third party copies our products in a manner that projects lesser quality or carries a negative connotation, our brand image could be materially adversely affected.

Because we have not yet registered all of our trademarks in all categories, or in all foreign countries in which we source or offer our merchandise now, or may in the future, our international expansion and our merchandising of products using these marks could be limited. The pending applications for international registration of various trademarks could be challenged or rejected in those countries because third parties of whom we are not currently aware have already registered similar marks in those countries. Accordingly, it may be possible, in those foreign countries where the status of various applications is pending or unclear, for a third-party owner of the national trademark registration for a similar mark to prohibit the manufacture, sale or exportation of branded goods in or from that country. Failure to register our trademarks or purchase or license the right to use our trademarks or logos in these jurisdictions could limit our ability to obtain supplies from, or manufacture in, less costly markets or penetrate new markets should our business plan include selling our merchandise in those non-U.S. jurisdictions.

Additionally, if a third party claims to have licensing rights with respect to merchandise we have produced or purchased from a vendor, we may be obligated to remove this merchandise from our inventory offering and incur related costs, and could be subject to liability under various civil and criminal causes of action, including actions to recover unpaid royalties and other damages.

[Changes in the regulatory or compliance landscape could have a material adverse impact on our business.](#)

We are subject to numerous laws and regulations, including customs, truth-in-advertising, securities laws, consumer protection, general privacy, health information privacy, identity theft, online privacy, general employment laws, employee health and safety, minimum wage laws, unsolicited commercial communication and zoning and occupancy laws and ordinances that regulate

retailers generally and/or govern the importation, intellectual property, promotion and sale of merchandise and the operation of retail stores, digital operations and distribution centers. If these laws and regulations were to change, or were violated by our management, associates, suppliers, vendors or other parties with whom we do business, the costs of certain merchandise could increase, or we could experience delays in shipments of our merchandise, be subject to fines or penalties, temporary or permanent store closures, increased regulatory scrutiny or suffer reputational harm, which could reduce demand for our merchandise and adversely affect our business and results of operations. Any changes in regulations, the imposition of additional regulations, or the enactment of any new or more stringent legislation including the areas referenced above, could adversely affect our business and results of operations.

Laws and regulations at the local, state, federal and various international levels frequently change, and the ultimate cost of compliance cannot be precisely estimated. In addition, the United Kingdom's recent exit from the European Union could result in additional administrative burdens to adhere to changes in regulatory frameworks concerning critical areas, including, but not limited to, the movement of goods or the movement of people. Changes in the legal or regulatory environment affecting responsible sourcing, supply chain transparency, or environmental protection, among others, may result in increased compliance costs for us and our business partners.

There is continued uncertainty as to the ultimate scope and duration of COVID-19 and, as a result, government authorities have taken certain actions to mitigate the spread of COVID-19. These actions have impacted our operations and any changes in regulations, the imposition of additional regulations, or the enactment of any new or more stringent legislation, could have a material adverse impact on our business and results of operations, including, but not limited to, the following actions: imposing restrictions on public gatherings and human interactions; requiring mandatory store closures or seeking voluntary store closures; restricting hours of store operations; imposing curfews; or restricting the import or export of products.

In addition, we are subject to a variety of regulatory, reporting requirements, including, but not limited to, those related to corporate governance and public disclosure. Stockholder activism, the current political environment, financial reform legislation, government intervention and regulatory reform may lead to substantial new regulations and disclosure obligations. New requirements or changes in current regulatory reporting requirements may introduce additional complexities, lead to additional compliance costs, divert management's time and attention from strategic business activities, and could have a significant effect on our reported results for the affected periods. Failure to comply with such regulations could result in fines, penalties, or lawsuits and could have a material adverse impact on our business.

The agreements related to our senior secured asset-based revolving credit facility and our senior secured notes include restrictive covenants that limit our flexibility in operating our business and our inability to obtain credit on reasonable terms in the future could have an adverse impact on our business.

Our senior secured asset-based revolving credit agreement, as amended (the "ABL Facility"), expires on October 19, 2022 and our senior secured notes, which have a fixed 8.75% interest rate, will mature on July 15, 2025 (the "Senior Secured Notes"). Both our ABL Facility and the indenture governing our Senior Secured Notes contain restrictive covenants that, subject to specified exemptions, restrict, among other things, the following: our ability to incur, assume or guarantee additional indebtedness; grant or incur liens; sell or otherwise dispose of assets, including capital stock of subsidiaries; make investments in certain subsidiaries; pay dividends or make distributions on our capital stock; redeem or repurchase capital stock; change the nature of our business; and consolidate or merge with or into, or sell substantially all of our assets to another entity.

If an event of default occurs, any outstanding obligations under the Senior Secured Notes and the ABL Facility could be declared immediately due and payable or the lenders could foreclose on or exercise other remedies with respect to the assets securing the indebtedness under the Senior Secured Notes and the ABL Facility. In addition, there is no assurance that we would have the cash resources available to repay such accelerated obligations. In addition, the Senior Secured Notes and ABL Facility are secured by certain of our real property, inventory, intellectual property, general intangibles and receivables, among other things, and lenders may exercise remedies against the collateral in the event of our default.

We have, and expect to continue to have, a level of indebtedness. In addition, we may, from time to time, incur additional indebtedness. We may need to refinance all or a portion of our existing indebtedness before maturity, including the Senior Secured Notes, and any indebtedness under the ABL Facility. There can be no assurance that we would be able to obtain sufficient funds to enable us to repay or refinance our debt obligations on commercially reasonable terms, or at all. Changes in market conditions could potentially impact the size and terms of a replacement facility or facilities in the future. The inability to obtain credit on commercially reasonable terms in the future could adversely impact our liquidity and results of operations as well as limit our ability to take advantage of business opportunities that may arise.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company's global headquarters is located on a campus-like setting in New Albany, Ohio, which is owned by the Company. The Company also leases property for its regional headquarters located in London, United Kingdom and Shanghai, China. In addition, the Company owns or leases facilities both domestically and internationally to support the Company's operations, such as its distribution centers and various support centers.

The Company does not believe any individual regional headquarters, distribution center or support center lease is material as, if necessary or desirable to relocate an operation, other suitable property could be found. These properties are utilized by both of the Company's operating segments, and are currently suitable and adequate for conducting the Company's business.

As of January 30, 2021, the Company operated 735 retail stores across its brands. The Company does not believe that any individual store lease is material; however, certain geographic areas may have a higher concentration of store locations.

Item 3. Legal Proceedings

The Company is a defendant in lawsuits and other adversarial proceedings arising in the ordinary course of business. The Company's legal costs incurred in connection with the resolution of claims and lawsuits are generally expensed as incurred, and the Company establishes estimated liabilities for the outcome of litigation where losses are deemed probable and the amount of loss, or range of loss, is reasonably estimable. The Company also determines estimates of reasonably possible losses or ranges of reasonably possible losses in excess of related accrued liabilities, if any, when it has determined that a loss is reasonably possible and it is able to determine such estimates. The Company's accrued charges for certain legal contingencies are classified within accrued expenses on the Consolidated Balance Sheets included in "[ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA](#)," of this Annual Report on Form 10-K. Based on currently available information, the Company cannot estimate a range of reasonably possible losses in excess of the accrued charges for legal contingencies. In addition, the Company has not established accruals for certain claims and legal proceedings pending against the Company where it is not possible to reasonably estimate the outcome or potential liability, and the Company cannot estimate a range of reasonably possible losses for these legal matters. Actual liabilities may differ from the amounts recorded, due to uncertainties regarding final settlement agreement negotiations, court approvals and the terms of any approval by the courts, and there can be no assurance that the final resolution of legal matters will not have a material adverse effect on the Company's financial condition, results of operations or cash flows. The Company's assessment of the current exposure could change in the event of the discovery of additional facts.

In addition, the Company notes that in connection with the SEC's recent modernization of the disclosures of legal proceedings required under Item 103 of Regulation S-K, the Company has elected to apply the threshold of \$1 million in potential monetary sanctions (with such amount being the lesser of \$1 million or 1% of the current assets of the Company on a consolidated basis) pursuant to Item 103(c)(3)(iii) of Regulation S-K in connection with determining the required disclosure with respect to environmental proceedings to which a governmental authority is a party.

Item 4. Mine Safety Disclosures

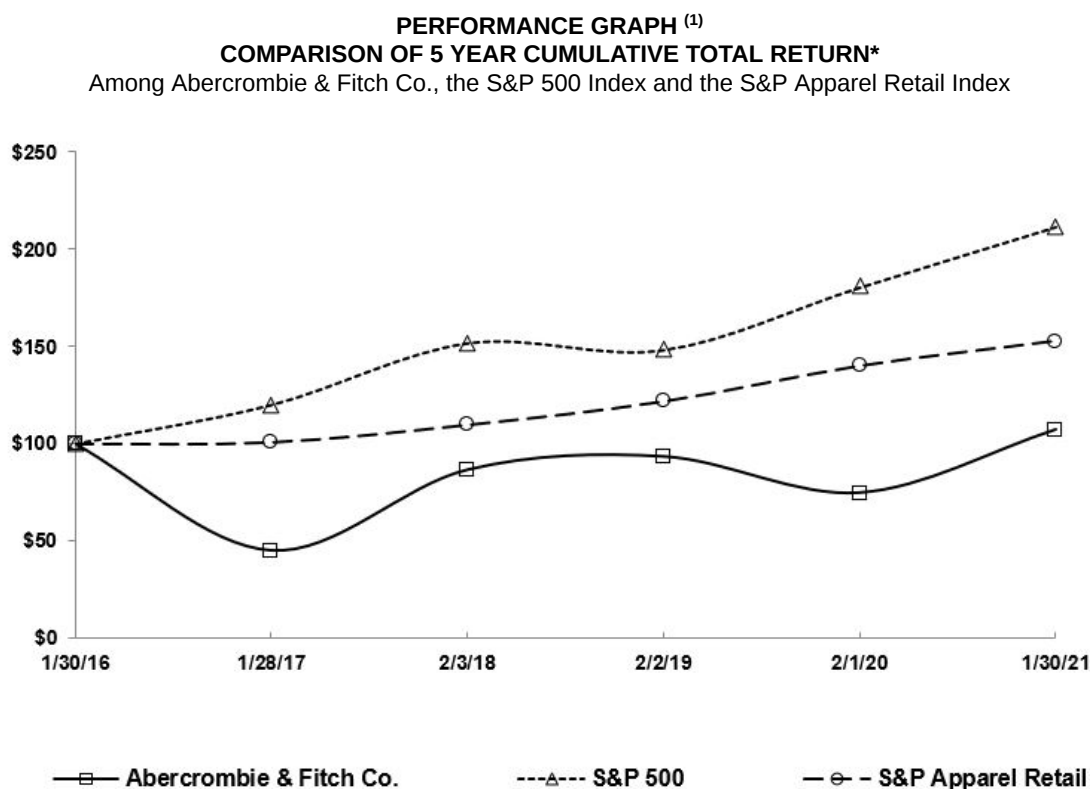
Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

A&F’s Class A Common Stock (“Common Stock”) is traded on the New York Stock Exchange under the symbol “ANF.”

The following graph shows the changes, over the five-year period ended January 30, 2021 (the last day of A&F’s Fiscal 2020) in the value of \$100 invested in (i) shares of A&F’s Common Stock; (ii) Standard & Poor’s 500 Stock Index (the “S&P 500”); and (iii) Standard & Poor’s Apparel Retail Composite Index (the “S&P Apparel Retail”), including reinvestment of dividends. The plotted points represent the closing price on the last trading day of the fiscal year indicated.



	1/30/16	1/28/17	2/3/18	2/2/19	2/1/20	1/30/21
Abercrombie & Fitch Co.	\$ 100.00	\$ 45.14	\$ 86.61	\$ 93.47	\$ 74.87	\$ 107.38
S&P 500	\$ 100.00	\$ 120.04	\$ 151.74	\$ 148.23	\$ 180.37	\$ 211.48
S&P Apparel Retail	\$ 100.00	\$ 100.84	\$ 109.74	\$ 121.77	\$ 139.98	\$ 152.76

* \$100 invested on 1/30/16 in stock or 1/31/16 in index, including reinvestment of dividends. Indexes calculated on month-end basis.
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⁽¹⁾ This graph shall not be deemed to be “soliciting material” or to be “filed” with the SEC or subject to SEC Regulation 14A or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), except to the extent that A&F specifically requests that the graph be treated as soliciting material or specifically incorporates it by reference into a filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act.

As of March 24, 2021, there were approximately 2,700 stockholders of record. However, when including investors holding shares of Common Stock in broker accounts under street name, A&F estimates that there were approximately 23,600 stockholders.

There were no sales of equity securities during Fiscal 2020 that were not registered under the Securities Act.

The following table provides information regarding the purchase of shares of the Common Stock of A&F made by or on behalf of A&F or any “affiliated purchaser” as defined in Rule 10b-18(a)(3) under the Exchange Act during each fiscal month of the thirteen weeks ended January 30, 2021:

Period (fiscal month)	Total number of shares purchased ⁽¹⁾	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs ⁽³⁾
November 1, 2020 through November 28, 2020	2,720	\$ 19.08	—	3,218,058
November 29, 2020 through January 2, 2021	3,351	\$ 20.42	—	3,218,058
January 3, 2021 through January 30, 2021	297	\$ 17.91	—	3,218,058
Total	6,368	\$ 19.73	—	3,218,058

⁽¹⁾ All 6,368 shares of A&F's Common Stock purchased during the thirteen weeks ended January 30, 2021 were withheld for tax payments due upon the vesting of employee restricted stock units.

⁽²⁾ There were no shares of A&F's Common Stock repurchased during the thirteen weeks ended January 30, 2021 pursuant to A&F's publicly announced stock repurchase authorization then in effect. On June 12, 2019, A&F's Board of Directors authorized the repurchase of 5.0 million shares of A&F's Common Stock, which was announced on June 12, 2019. As of January 30, 2021, the Company had the authority to repurchase approximately 3.2 million shares under the previously approved June 12, 2019 share repurchase authorization. As announced on March 2, 2021, at a meeting of A&F's Board of Directors held on February 19, 2021, A&F's Board of Directors authorized the repurchase of 10.0 million shares of the Company's Common Stock. This authorization replaced the June 12, 2019 share repurchase authorization (which was terminated), bringing the total number of shares of Common Stock that the Company was authorized to repurchase as of February 19, 2021 to 10.0 million shares.

⁽³⁾ The number shown represents, as of the end of each period, the maximum number of shares of Common Stock that may yet be purchased under A&F's publicly announced June 12, 2019 stock repurchase authorization then in effect as described in footnote 2 above. In Fiscal 2020, the Company announced that it had temporarily suspended its share repurchase program in order to preserve liquidity and maintain financial flexibility in light of the circumstances surrounding COVID-19. The Company announced on March 2, 2021 that it plans to resume share repurchase activity beginning on or after March 4, 2021. The timing and amount of any future share repurchases will depend on various factors, including market and business conditions.

Dividends are declared at the discretion of A&F's Board of Directors. A quarterly dividend, of \$0.20 per share outstanding, was declared in February for Fiscal 2020 and in each of February, May, August and November in Fiscal 2019. Dividends were paid in March for Fiscal 2020, and in each of March, June, September and December in Fiscal 2019.

In order to preserve liquidity and maintain financial flexibility in light of COVID-19, in May 2020, the Company announced that it had temporarily suspended its dividend program. The Company's dividend program remains suspended. The Company may in the future review its dividend program to determine, in light of facts and circumstances at that time, whether and when to reinstate. A&F's Board of Directors reviews and establishes a dividend amount, if any, based on A&F's financial condition, results of operations, capital requirements, current and projected cash flows, business prospects and other factors, including the potential severity of impacts to the business resulting from COVID-19 and any restrictions under the Company's agreements related to the Senior Secured Notes and the ABL Facility. There can be no assurance that the Company will pay dividends in the future or, if dividends are paid, that they will be in amounts similar to past dividends.

Item 6. Selected Financial Data

Information for Item 6, Selected Financial Data is no longer required as the Company has adopted certain provisions within the SEC amendments to Regulation S-K that eliminate Item 301.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read together with the Company's audited Consolidated Financial Statements and notes thereto included in this Annual Report on Form 10-K in "[ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA](#)," to which all references to Notes in MD&A are made.

INTRODUCTION

MD&A is provided as a supplement to the accompanying Consolidated Financial Statements and notes thereto to help provide an understanding of the Company's results of operations, financial condition, and liquidity. MD&A is organized as follows:

- [Overview](#). This section provides a general description of the Company's business and certain segment information, and an overview of key performance indicators reviewed by various members of management to gauge the Company's results.
- [Current Trends and Outlook](#). This section provides a discussion related to COVID-19's impact on the Company's business and discussion of the Company's long-term plans for growth. In addition, this section also provides a summary of the Company's performance over recent years, primarily Fiscal 2020 and Fiscal 2019.
- [Results of Operations](#). This section provides an analysis of certain components of the Company's Consolidated Statements of Operations and Comprehensive (Loss) Income for Fiscal 2020 as compared to Fiscal 2019.
- [Liquidity and Capital Resources](#). This section provides a discussion of the Company's financial condition, changes in financial condition and liquidity as of January 30, 2021, which includes (i) an analysis of changes in cash flows for Fiscal 2020 as compared to Fiscal 2019, (ii) an analysis of liquidity, including the availability under credit facilities, payments of dividends, and outstanding debt and covenant compliance, (iii) a summary of contractual and other obligations as of January 30, 2021 and (iv) a discussion related to actions taken during Fiscal 2020 to preserve liquidity in light of COVID-19.
- [Recent Accounting Pronouncements](#). The recent accounting pronouncements the Company has adopted or is currently evaluating, including the dates of adoption or expected dates of adoption, as applicable, and anticipated effects on the Company's audited Consolidated Financial Statements, are included in Note 2 "[SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES](#)."
- [Critical Accounting Policies and Estimates](#). This section discusses accounting policies considered to be important to the Company's results of operations and financial condition, which typically require significant judgment and estimation on the part of the Company's management in their application.
- [Non-GAAP Financial Measures](#). MD&A provides a discussion of certain financial measures that have been determined to not be in accordance with accounting principles generally accepted in the U.S. ("GAAP"). This section includes certain reconciliations for non-GAAP financial measures and additional details on these financial measures, including information as to why the Company believes the non-GAAP financial measures provided within MD&A are useful to investors.

A discussion of the Company's financial condition, changes in financial condition and results of operations for Fiscal 2019 as compared to Fiscal 2018, is incorporated by reference from "[ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS](#)," in PART II of A&F's Annual Report on Form 10-K for Fiscal 2019, filed with the SEC on March 31, 2020.

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 Annual Report on Form 10-K or made by the Company, its management or its spokespeople involve risks and uncertainties and are subject to change based on various important factors, many of which may be beyond the Company's control. Words such as "estimate," "project," "plan," "believe," "expect," "anticipate," "intend," and similar expressions may identify forward-looking statements. Future economic and industry trends that could potentially impact revenue and profitability are difficult to predict. Therefore, there can be no assurance that the forward-looking statements included in this Annual Report on Form 10-K will prove to be accurate. In light of the significant uncertainties in the forward-looking statements included herein, including the uncertainty surrounding COVID-19, the inclusion of such information should not be regarded as a representation by the Company, or any other person, that the objectives of the Company will be achieved. The forward-looking statements included herein are based on information presently available to the management of the Company. Except as may be required by applicable law, the Company assumes no obligation to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized. A discussion of material risks that could affect the Company's financial performance and cause actual results to differ materially from those expressed or implied in any of the forward-looking statements is included in "[ITEM 1A. RISK FACTORS](#)," of this Annual Report on Form 10-K.

OVERVIEW

Business summary

The Company is a global multi-brand omnichannel specialty retailer, whose products are sold primarily through its digital channels and Company-owned stores, as well as through various third-party arrangements. The Company offers a broad assortment of apparel, personal care products and accessories for men, women and kids under the Company's two brand-based operating segments: Hollister, which includes the Company's Hollister and Gilly Hicks brands, and Abercrombie, which includes the Company's Abercrombie & Fitch and abercrombie kids brands. The brands share a commitment to offering unique products of enduring quality and exceptional comfort that allow customers around the world to express their own individuality and style. The Company operates primarily in North America, Europe and Asia.

The Company's fiscal year ends on the Saturday closest to January 31. All references herein to the Company's fiscal years are as follows:

<u>Fiscal year</u>	<u>Year ended/ ending</u>	<u>Number of weeks</u>
Fiscal 2019	February 1, 2020	52
Fiscal 2020	January 30, 2021	52
Fiscal 2021	January 29, 2022	52

Due to the seasonal nature of the retail apparel industry, the results of operations for any interim period are not necessarily indicative of the results expected for the full fiscal year and the Company could experience significant fluctuations in certain asset and liability accounts. The Company experiences its greatest sales activity during Fall, due to Back-to-School and Holiday sales periods, respectively.

Key performance indicators

The following measurements are among the key performance indicators reviewed by various members of the Company's management to gauge the Company's results:

- Changes in net sales and comparable sales;
- Comparative results of operations on a constant currency basis with the prior year's results converted at the current year's foreign currency exchange rate to remove the impact of foreign currency exchange rate fluctuation;
- Gross profit and gross profit rate;
- Cost of sales, exclusive of depreciation and amortization, as a percentage of net sales;
- Stores and distribution expense as a percentage of net sales;
- Marketing, general and administrative expense as a percentage of net sales;
- Operating income and operating income as a percentage of net sales ("operating margin");
- Net income and net income attributable to A&F;
- Cash flow and liquidity measures, such as the Company's current ratio, working capital and free cash flow;
- Inventory metrics, such as inventory turnover;
- Return on invested capital and return on equity;
- Store metrics, such as net sales per gross square foot, and store 4-wall operating margins;
- Digital and omnichannel metrics, such as total shipping expense as a percentage of digital sales, and certain metrics related to our purchase-online-pickup-in-store and order-in-store programs;
- Transactional metrics, such as traffic and conversion, performance across key product categories, average unit retail, average unit cost, average units per transaction and average transaction values; and
- Customer-centric metrics such as customer satisfaction, customer retention and acquisition, and certain metrics related to the loyalty programs.

While not all of these metrics are disclosed publicly by the Company due to the proprietary nature of the information, the Company publicly discloses and discusses many of these metrics within this MD&A.

CURRENT TRENDS AND OUTLOOK

Impact of COVID-19

In January 2020, the Company began to experience business disruptions in the Asia-Pacific (“APAC”) region as a result of COVID-19. In February 2020, the situation escalated as the scope of COVID-19 worsened beyond the APAC region, with the United States (the “U.S.”) and Europe, Middle East and Africa (“EMEA”) experiencing significant outbreaks. In March 2020, the COVID-19 outbreak was declared to be a global pandemic by the World Health Organization. In response to COVID-19, certain governments have imposed travel restrictions and local statutory quarantines and the Company has recommended associates who are able to perform their role remotely continue to do so. The Company is reacting to COVID-19 on a daily basis, including by conforming to local government guidance and monitoring developments in government legislation or other government actions in response to COVID-19.

The extent of future impacts of COVID-19 on the Company’s business, including the duration and impact on overall customer demand, are uncertain as current circumstances are dynamic and depend on future developments, including, but not limited to, the duration and spread of COVID-19, the emergence of new variants of the coronavirus and the availability and acceptance of effective vaccines or medical treatments.

As a result of COVID-19, in January 2020, the Company temporarily closed the majority of its stores in the APAC region and in March 2020, the Company temporarily closed its stores across brands in North America and the EMEA region. The majority of APAC stores were reopened during March 2020, and the Company began to reopen stores in North America and the EMEA region on a rolling basis in late April 2020. As of January 30, 2021 and March 24, 2021, approximately 88% and 91% of Company-operated stores were open for in-store service, respectively, with temporary store closures primarily in the EMEA region. The Company plans to follow the guidance of local governments to determine when it can reopen closed stores and to evaluate whether further store closures will be necessary.

The Company has also implemented a range of precautionary health and safety measures with the well-being of the Company’s customers, associates and business partners in mind, including:

- Requiring associates to use face coverings, depending on geographic region;
- Encouraging or requiring customers to use face coverings, depending on geographic region;
- Conducting associate wellness checks in accordance with local government direction;
- Enhancing cleaning routines and installing plexiglass barriers in the majority of store locations;
- Implementing various measures to encourage social distancing, including managing occupancy limits;
- Encouraging contactless payment options, where available;
- Opening fitting rooms where permissible, with additional cleaning procedures for clothing that has been tried on;
- Removing returned merchandise from the sales floor for a period of time where mandated by local government;
- Reducing store hours in select locations;
- Continuing to offer purchase-online-pickup-in-store;
- Increasing its omnichannel capabilities by introducing curbside pick-up at a majority of U.S. locations;
- Following recommended cleaning and distancing measures in the Company’s distribution centers; and
- Maximizing work-from-home and digital collaboration alternatives to minimize in-person meetings whenever possible.

The Company has seen, and may continue to see, material reductions in sales across brands and regions as a result of COVID-19. Total net sales decreased approximately 14% for Fiscal 2020 as compared to Fiscal 2019, primarily driven by temporary store closures and a decline in traffic as compared to the previous year as a result of COVID-19. During Fiscal 2020, sales for stores that had reopened were approximately 75% of Fiscal 2019 levels. The Company has experienced other material impacts as a result of COVID-19, including, but not limited to, deferred tax valuation allowances, long-lived asset impairment, adjustments of the carrying amount of inventory and changes in the effectiveness of its hedging instruments.

The Company’s digital operations across brands have continued to serve the Company’s customers during this unprecedented period of temporary store closures as the Company’s distribution centers implemented enhanced cleaning and social distancing measures in order to remain operational. In response to elevated digital demand during this period, the Company has increased its omnichannel capabilities by continuing to offer Purchase-Online-Pickup-in-Store, including curbside pickup at a majority of U.S. locations, and by utilizing ship-from-store capabilities. In addition, to prepare for the Fiscal 2020 holiday season, the Company entered into a short-term lease for an additional distribution center and partnered with incremental carriers. Digital net sales increased approximately 39% for Fiscal 2020 as compared to Fiscal 2019, resulting in digital sales accounting for 54% of total revenues in Fiscal 2020 compared to 33% in Fiscal 2019. Despite the recent strength in digital sales, the Company has historically generated the majority of its annual net sales through stores and there can be no assurance that the current performance in the digital channel will continue.

The Company is also focused on managing inventories and the impacts COVID-19 has had, and continues to have, on its global supply chain, including potential disruptions of product deliveries. The Company sources the majority of its merchandise outside of the U.S. through arrangements with vendors primarily located in southeast Asia and, as of January 30, 2021, the vast majority of the factories the Company partners with were operating at full capacity. In order to complete production, these manufacturing factories are dependent on raw materials from fabric mills that are primarily located in the APAC region. The Company continues

to collaborate with its third-party partners to mitigate significant delays in delivery of merchandise, especially in light of disruptions across the supply chain, including port congestion and shipping container shortages. During Fiscal 2020, the Company reduced certain orders that were not already in production, delayed and altered the cadence of deliveries and implemented various strategies to tightly manage inventories, including utilizing ship-from-store capabilities in select locations.

The Company's progress executing against the following key transformation initiatives created the foundation to allow the Company to respond quickly to COVID-19 in Fiscal 2020:

- Optimizing the global store network;
- Enhancing digital and omnichannel capabilities;
- Increasing the speed and efficiency of the concept-to-customer product life cycle by further investing in capabilities to position the supply chain for greater speed, agility and efficiency, while leveraging data and analytics to offer the right product at the right time and the right price; and
- Improving customer engagement through loyalty programs and marketing optimization.

The Company entered Fiscal 2020 with a healthy liquidity position, however in light of COVID-19 the Company took immediate, aggressive and prudent actions, including re-evaluating all expenditures, to balance short-term and long-term liquidity needs, in order to best position the business for the Company's stakeholders during Fiscal 2020. Actions to preserve liquidity and manage cash flows during Fiscal 2020, included, but were not limited to the following:

- Partnered with merchandise and non-merchandise vendors in regards to payment terms;
- Managed inventory receipts tightly to align inventory with expected market demand;
- Reduced expenses to better align operating costs with sales;
- Assessed government policy and economic stimulus responses to COVID-19 for both business and individuals;
- Borrowed \$210.0 million under the ABL Facility in March 2020, which was then repaid in July 2020 along with the Term Loan Facility;
- Withdrew \$50.0 million from the overfunded Rabbi Trust assets, representing the majority of excess funds in March 2020;
- Announced the temporary suspension of the Company's share repurchase and dividend programs in March 2020 and May 2020, respectively; and
- Completed a private offering of \$350.0 million aggregate principal amount of Senior Secured Notes in July 2020.

Reflecting ongoing global uncertainty and the near-term challenges that COVID-19 presents, such as continued temporary store closures, uncertainty surrounding the global economy and customer discretionary spending habits, the Company plans to conservatively manage cash and liquidity in the first half of Fiscal 2021, while prioritizing investments in the business and continuing to fund operating activities. Regarding returns to shareholders, although the dividend program remains suspended, the Company recently announced that it plans to resume share repurchases beginning on or after March 4, 2021, dependent on various factors, such as market and business conditions, including the Company's ability to accelerate investments in the business.

As of January 30, 2021, the Company had liquidity of \$1.3 billion as compared to \$0.9 billion as of February 1, 2020, comprised of cash and equivalents and borrowing available to the Company under the ABL Facility.

Despite the Company's recent history of partnering with its vendors regarding payment terms, certain payment term extensions were temporary and certain previously deferred payments have since been made. There can be no assurance that the Company will be able to maintain extended payment terms or continue to defer payments, which may result in incremental operating cash outflows in future periods.

For further information about how COVID-19 could impact our operations, refer to "[ITEM 1A. RISK FACTORS](#)," of this Annual Report on Form 10-K.

[Global Store Network Optimization](#)

Reflecting a continued focus on its key transformation initiative 'Global Store Network Optimization,' the Company delivered new store experiences across brands during Fiscal 2020 and Fiscal 2019. Details related to these new store experiences follow:

Type of new store experience	Fiscal 2020	Fiscal 2019
New stores	15	40
Remodels	4	24
Right-sizes	6	26
Total	25	90

A component of optimizing the Company's global store network is pivoting away from large format tourist-dependent flagship stores and opening smaller, omni-enabled stores that cater to local customers. As a result, the Company closed twelve flagship locations during Fiscal 2019 and Fiscal 2020. This leaves the Company with seven operating flagships at the end of Fiscal 2020, down from 15 at the beginning of the year. Future closures could be completed through natural lease expirations, while certain

other leases include early termination options that can be exercised under specific conditions. The Company may also elect to exit or modify other leases, and could incur charges related to these actions.

In addition, the Company closed 129 non-flagship locations, resulting in 137 total store closures during Fiscal 2020. Store optimization efforts in Fiscal 2020 reduced total Company store gross square footage by approximately 1.1 million gross square feet, or 17%, as compared to Fiscal 2019 year-end. The actions taken in Fiscal 2020, combined with ongoing digital sales growth, are expected to continue to transform the Company's operating model and reposition the Company for the future as the Company continues to focus on aligning store square footage with digital penetration.

Store count and gross square footage by brand and geography as of February 1, 2020 and January 30, 2021 were as follows:

	Hollister ⁽¹⁾		Abercrombie ⁽²⁾		Total Company ⁽³⁾		Total
	United States	International	United States	International	United States	International	
Number of stores:							
February 1, 2020 ⁽⁴⁾	392	155	257	53	649	208	857
New	3	3	4	5	7	8	15
Closed	(48)	(8)	(71)	(10)	(119)	(18)	(137)
January 30, 2021	347	150	190	48	537	198	735
Gross square footage (in thousands):							
February 1, 2020 ⁽⁴⁾	2,605	1,263	1,829	617	4,434	1,880	6,314
January 30, 2021	2,309	1,219	1,311	393	3,620	1,612	5,232

⁽¹⁾ Hollister includes the Hollister and Gilly Hicks brands. Locations with Gilly Hicks carveouts within Hollister stores are represented as a single store count. Excludes nine international franchise stores as of each of January 30, 2021 and February 1, 2020. Excludes 12 Company-operated temporary stores as of January 30, 2021 and 15 as of February 1, 2020.

⁽²⁾ Abercrombie includes the Abercrombie & Fitch and abercrombie kids brands. Locations with abercrombie kids carveouts within Abercrombie & Fitch stores are represented as a single store count. Excludes 10 international franchise stores as of January 30, 2021 and seven as of February 1, 2020. Excludes two Company-operated temporary stores as of January 30, 2021 and six as of February 1, 2020.

⁽³⁾ This store count excludes one international third-party operated multi-brand outlet store as of January 30, 2021.

⁽⁴⁾ Prior period numbers have been revised due to a change in the temporary store definition to only include store leases with original terms of 18 months or less.

United Kingdom's withdrawal from the European Union ("Brexit")

In June 2016, the United Kingdom passed a referendum to recommend withdrawing from the European Union. Upon withdrawal from the European Union in January 2020 ("Brexit"), the United Kingdom entered into a formal transition period that expired on December 31, 2020, during which the United Kingdom and the European Union negotiated a post-Brexit trade agreement. The ultimate impact of Brexit on the Company will depend on the effects of this agreement, which went into effect on January 1, 2021.

There is continued uncertainty related to the ultimate impact on consumer behavior, trade relations, economic conditions, foreign currency exchange rates and the free movement of goods, services, people and capital between the United Kingdom and the European Union during this time of transition. The United Kingdom's withdrawal from the European Union could also adversely impact other areas of the business, including, but not limited to, an increase in duties and delays in the delivery of merchandise from the Company's Netherlands distribution center to its customers in the United Kingdom if trade barriers materialize. The United Kingdom's withdrawal from the European Union could also adversely impact the operations of the Company's vendors and of our other third-party partners. In order to mitigate the risks associated with the United Kingdom's withdrawal from the European Union, the Company: collaborated across the organization and tested systems; worked with external partners to develop contingency plans for potential adverse impacts; and took actions to reduce, to the extent possible, the potential impact of any incremental duty exposure. It is possible that preparations for the events listed above are not adequate to mitigate their impact, and that these events could adversely affect the business and results of operations.

Impact of global events and uncertainty

As a global multi-brand omnichannel specialty retailer, with operations in North America, Europe and Asia, among other regions and, as a result, management is are mindful of macroeconomic risks and global challenges that could adversely impact certain areas of the business. As a result, in addition to the events listed within MD&A, management continues to monitor certain other global events. The Company continues to assess the potential impacts these events and similar events may have on the business in future periods and continues to develop contingency plans to assist in mitigating potential impacts. It is possible that the Company's preparations for the events discussed within MD&A are not adequate to mitigate their impact, and that these events could further adversely affect its business and results of operations. For a discussion of material risks that have the potential to cause actual results to differ materially from expectations, refer to "[ITEM 1A. RISK FACTORS](#)," included in this Annual Report on Form 10-K.

[Focus areas for Fiscal 2021](#)

Reflecting ongoing global uncertainty and the near-term challenges COVID-19 presents, in Fiscal 2021, the Company plans to continue to conservatively manage inventories, position its supply chain to optimize its capacity to fulfill digital orders and tightly manage expenses.

For Fiscal 2021, the Company plans to make progress recovering sales losses experienced in Fiscal 2020 as a result of COVID-19, while maintaining or improving on gross profit rate from Fiscal 2020 levels. While the Company expects to see certain savings in operating expenses in Fiscal 2021, reflecting Fiscal 2020 permanent store closures and rent negotiations, certain operating expenses related to stores that were temporarily closed in Fiscal 2020 due to COVID-19 are expected to return in Fiscal 2021. The Company plans to reposition expense savings towards customer-facing areas, specifically targeting the acceleration of marketing, digital and data investments.

The Company continues to evaluate opportunities to invest in and make progress on initiatives that position the business for sustainable long-term growth that align with the strategic pillars as described within "[ITEM 1. BUSINESS - STRATEGY AND KEY BUSINESS PRIORITIES](#)," included in this Annual Report on Form 10-K.

[Summary of results](#)

A summary of results for Fiscal 2020 and Fiscal 2019 follows:

<i>(in thousands, except change in net sales, gross profit rate, operating margin and per share amounts)</i>	GAAP		Non-GAAP ⁽¹⁾	
	Fiscal 2020	Fiscal 2019	Fiscal 2020	Fiscal 2019
Net sales	\$ 3,125,384	\$ 3,623,073		
Change in net sales from the prior fiscal year	(14)%	1 %		
Gross profit rate ⁽²⁾	60.5 %	59.4 %		
Operating (loss) income ⁽³⁾	\$ (20,469)	\$ 70,068	\$ 52,468	\$ 82,820
Operating (loss) income margin	(0.7)%	1.9 %	1.7 %	2.3 %
Net (loss) income attributable to A&F ^{(3) (4)}	\$ (114,021)	\$ 39,358	\$ (45,383)	\$ 48,097
Net (loss) income per diluted share attributable to A&F ^{(3) (4)}	\$ (1.82)	\$ 0.60	\$ (0.73)	\$ 0.73

⁽¹⁾ Refer to "[RESULTS OF OPERATIONS](#)" for details on excluded items. Discussion as to why the Company believes that these non-GAAP financial measures are useful to investors is provided below under "[NON-GAAP FINANCIAL MEASURES](#)."

⁽²⁾ Gross profit is derived from cost of sales, exclusive of depreciation and amortization.

⁽³⁾ Fiscal 2019 results included \$47 million of flagship store exit charges, which adversely impacted net income per diluted share attributable to A&F by approximately \$0.53 per share, net of estimated tax effect. Refer to Note 19, "[FLAGSHIP STORE EXIT \(BENEFITS\) CHARGES](#)."

⁽⁴⁾ Fiscal 2020 results included \$101 million of adverse tax impacts related to valuation allowances on deferred tax assets and other tax charges as a result of the COVID-19 pandemic, which adversely impacted net loss per diluted share by or \$1.61 per share. Refer to Note 12, "[INCOME TAXES](#)."

Certain components of the Company's Consolidated Balance Sheets as of February 1, 2020 and January 30, 2021 and Consolidated Statements of Cash Flows for Fiscal 2020 and Fiscal 2019 were as follows:

<i>(in thousands)</i>	January 30, 2021	February 1, 2020
Balance Sheets data		
Cash and equivalents	\$ 1,104,862	\$ 671,267
Gross borrowings outstanding, carrying amount	\$ 350,000	\$ 233,250
Inventories	\$ 404,053	\$ 434,326
Statement of Cash Flows data	Fiscal 2020	Fiscal 2019
Net cash provided by operating activities	\$ 404,918	\$ 300,685
Net cash used for investing activities	\$ (51,910)	\$ (202,784)
Net cash provided by (used for) financing activities	\$ 69,717	\$ (147,873)

RESULTS OF OPERATIONS

The estimated basis point (“BPS”) change disclosed throughout this Results of Operations has been rounded based on the change in the percentage of net sales.

Net sales

<i>(in thousands)</i>	Fiscal 2020	Fiscal 2019	\$ Change	% Change
Hollister	\$ 1,834,349	\$ 2,158,514	\$ (324,165)	(15)%
Abercrombie	1,291,035	1,464,559	(173,524)	(12)%
Total Company	\$ 3,125,384	\$ 3,623,073	\$ (497,689)	(14)%

Net sales by geographic area are presented by attributing revenues to an individual country on the basis of the country in which the merchandise was sold for in-store purchases and the shipping location provided by customers for digital orders. The Company’s net sales by geographic area for Fiscal 2020 and Fiscal 2019 were as follows:

<i>(in thousands)</i>	Fiscal 2020	Fiscal 2019	\$ Change	% Change
United States	\$ 2,127,433	2,410,832	(283,399)	(12)%
IEA	709,451	822,202	(112,751)	(14)%
AC	176,636	264,895	(88,259)	(33)%
Other	111,894	125,174	(13,280)	(11)%
International	\$ 997,951	1,212,271	(214,290)	(18)%
Total Company	\$ 3,125,384	3,623,073	(497,689)	(14)%

For Fiscal 2020, net sales decreased 14% as compared to Fiscal 2019, primarily due to a decrease in units sold driven by reduced store traffic, including as it related to temporary store closures as a result of COVID-19, partially offset by 39% digital sales growth. Average unit retail increased year-over-year, driven by lower promotions, with benefits from changes in foreign currency exchange rates of approximately \$22 million.

Cost of sales, exclusive of depreciation and amortization

<i>(in thousands)</i>	Fiscal 2020		Fiscal 2019		BPS Change
		% of Net Sales		% of Net Sales	
Cost of sales, exclusive of depreciation and amortization	\$ 1,234,179	39.5%	\$ 1,472,155	40.6%	(110)

For Fiscal 2020, cost of sales, exclusive of depreciation and amortization, as a percentage of net sales decreased approximately 110 basis points as compared to Fiscal 2019, reflecting benefits of approximately 30 basis points from changes in foreign currency exchange rates. The year-over-year decrease was primarily attributable to increased average unit retail driven by lower promotions. Average unit cost remained relatively flat, reflecting, among other items, adverse impacts of approximately 50 basis points related to charges to reduce the carrying value of inventory during the thirteen weeks ended May 2, 2020, primarily as a result of COVID-19 and the temporary closure of the Company’s stores and benefits of approximately 30 basis points from inventory shrink favorability.

Gross profit, exclusive of depreciation and amortization

	Fiscal 2020		Fiscal 2019		BPS Change
		% of Net Sales		% of Net Sales	
Gross profit, exclusive of depreciation and amortization	\$ 1,891,205	60.5%	\$ 2,150,918	59.4%	110

[Stores and distribution expense](#)

<i>(in thousands)</i>	Fiscal 2020		Fiscal 2019		BPS Change
		% of Net Sales		% of Net Sales	
Stores and distribution expense	\$ 1,391,584	44.5%	\$ 1,551,243	42.8%	170

For Fiscal 2020, stores and distribution expense decreased 10% as compared to Fiscal 2019, primarily driven by a \$117 million reduction in store occupancy expense, reflecting the impact of COVID-19 on operations including temporary store closures and benefits from rent abatements recognized as variable lease cost and a \$92 million reduction in payroll expense, which was inclusive of a benefit of \$18 million related to government subsidies in certain jurisdictions where the Company qualifies. These reductions in expense were partially offset by a \$67 million increase in shipping and handling expense related to the 39% year-over-year digital sales growth.

[Marketing, general and administrative expense](#)

<i>(in thousands)</i>	Fiscal 2020		Fiscal 2019		BPS Change
		% of Net Sales		% of Net Sales	
Marketing, general and administrative expense	\$ 463,843	14.8%	\$ 464,615	12.8%	200

For Fiscal 2020, marketing, general and administrative expense was approximately flat as compared to Fiscal 2019, reflecting reductions in marketing and other controllable expenses, and an increase in payroll expense as a result of higher performance-based compensation.

[Flagship store exit \(benefits\) charges](#)

<i>(in thousands)</i>	Fiscal 2020		Fiscal 2019		BPS Change
		% of Net Sales		% of Net Sales	
Flagship store exit (benefits) charges	\$ (11,636)	(0.4)%	\$ 47,257	1.3%	(170)

For Fiscal 2020, flagship store exit benefits primarily related to the closure of several international Abercrombie & Fitch flagship stores. Flagship store exit charges for Fiscal 2019 primarily related to the closure of the Company's SoHo Hollister flagship in New York City. Refer to Note 19, "[FLAGSHIP STORE EXIT \(BENEFITS\) CHARGES](#)."

[Asset impairment, exclusive of flagship store exit charges](#)

<i>(in thousands)</i>	Fiscal 2020		Fiscal 2019		BPS Change
		% of Net Sales		% of Net Sales	
Asset impairment, exclusive of flagship store exit charges	\$ 72,937	2.3%	\$ 19,135	0.5%	180
Excluded items:					
Asset impairment charges ⁽¹⁾	(72,937)	(2.3)%	(12,752)	(0.4)%	(190)
Adjusted non-GAAP asset impairment, exclusive of flagship store exit charges	\$ —	0.0%	\$ 6,383	0.2%	(20)

⁽¹⁾ Refer to "[NON-GAAP FINANCIAL MEASURES](#)," for further details.

Refer to Note 9, "[ASSET IMPAIRMENT](#)," for further discussion.

[Other operating income, net](#)

<i>(in thousands)</i>	Fiscal 2020		Fiscal 2019		BPS Change
		% of Net Sales		% of Net Sales	
Other operating income, net	\$ 5,054	0.2%	\$ 1,400	0.0%	20

For Fiscal 2020, other operating income, net, increased as compared to Fiscal 2019, primarily due to foreign currency exchange related gains in Fiscal 2020.

[Operating \(loss\) income](#)

<i>(in thousands)</i>	Fiscal 2020		Fiscal 2019		BPS Change
		% of Net Sales		% of Net Sales	
Operating (loss) income	\$ (20,469)	(0.7)%	\$ 70,068	1.9%	(260)
Excluded items:					
Asset impairment charges ⁽¹⁾	72,937	2.3%	12,752	0.4%	190
Adjusted non-GAAP operating income	\$ 52,468	1.7%	\$ 82,820	2.3%	(60)

⁽¹⁾ Refer to "[NON-GAAP FINANCIAL MEASURES](#)," for further details.

[Interest expense, net](#)

<i>(in thousands)</i>	Fiscal 2020		Fiscal 2019		BPS Change
		% of Net Sales		% of Net Sales	
Interest expense	\$ 31,726	1.0%	\$ 19,908	0.5%	50
Interest income	(3,452)	(0.1)%	(12,171)	(0.3)%	20
Interest expense, net	\$ 28,274	0.9%	\$ 7,737	0.2%	70

For Fiscal 2020, interest expense, net, increased primarily driven by higher interest expense in the current year related to the issuance of the Senior Secured Notes, as well as lower interest income earned on the Company's investments and cash holdings.

[Income tax expense](#)

<i>(in thousands, except ratios)</i>	Fiscal 2020		Fiscal 2019	
		Effective Tax Rate		Effective Tax Rate
Income tax expense	\$ 60,211	(123.5)%	\$ 17,371	27.9%
Excluded items:				
Tax effect of pre-tax excluded items ⁽¹⁾	4,299		4,013	
Adjusted non-GAAP income tax expense	\$ 64,510	266.6%	\$ 21,384	28.5%

⁽¹⁾ Refer to "[Operating \(loss\) income](#)" for details of pre-tax excluded items. The tax effect of pre-tax excluded items is the difference between the tax provision calculation on a GAAP basis and an adjusted non-GAAP basis.

The Company's effective tax rate for Fiscal 2020 was impacted by \$101.4 million of adverse tax impacts, ultimately giving rise to income tax expense on a consolidated pre-tax loss. These adverse tax impacts were as follows:

- The Company did not recognize income tax benefits on \$203.4 million of pre-tax losses generated in Fiscal 2020 in certain jurisdictions, resulting in adverse tax impacts of \$39.5 million.
- The Company recognized charges of \$61.9 million related to the establishment of valuation allowances and other tax charges in certain jurisdictions, including, but not limited to, the U.S., Switzerland, Germany and Japan principally as a result of the significant adverse impacts of COVID-19.

Refer to Note 12, "[INCOME TAXES](#)," for further discussion on factors that impacted the effective tax rate in Fiscal 2020 and Fiscal 2019.

[Net \(loss\) income attributable to A&F](#)

<i>(in thousands)</i>	Fiscal 2020		Fiscal 2019		BPS Change
		% of Net Sales		% of Net Sales	
Net (loss) income attributable to A&F	\$ (114,021)	(3.6)%	\$ 39,358	1.1%	(470)
Excluded items, net of tax ⁽¹⁾	68,638	2.2%	8,739	0.2%	200
Adjusted non-GAAP net income attributable to A&F ⁽²⁾	\$ (45,383)	(1.5)%	\$ 48,097	1.3%	(280)

⁽¹⁾ Excludes items presented above under "[Operating \(loss\) income](#)," and "[Income tax expense](#)."

[Net \(loss\) income per diluted share attributable to A&F](#)

	Fiscal 2020	Fiscal 2019	\$ Change
Net (loss) income per diluted share attributable to A&F	\$ (1.82)	\$ 0.60	\$(2.42)
Excluded items, net of tax ⁽¹⁾	1.10	0.13	0.97
Adjusted non-GAAP net (loss) income per diluted share attributable to A&F	\$ (0.73)	\$ 0.73	\$(1.46)
Impact from changes in foreign currency exchange rates	—	0.29	(0.29)
Adjusted non-GAAP net (loss) income per diluted share attributable to A&F on a constant currency basis ⁽²⁾	\$ (0.73)	\$ 1.02	\$(1.75)

⁽¹⁾ Excludes items presented above under "[Operating \(loss\) income](#)," and "[Income tax expense](#)."

⁽²⁾ Refer to "[NON-GAAP FINANCIAL MEASURES](#)," for further details.

LIQUIDITY AND CAPITAL RESOURCES

[Overview](#)

The Company's capital allocation strategy, priorities and investments are reviewed by A&F's Board of Directors considering both liquidity and valuation factors. Reflecting ongoing global uncertainty and the near-term challenges that COVID-19 presents, such as continued temporary store closures, uncertainty surrounding the global economy and customer discretionary spending habits, the Company plans to conservatively manage cash and liquidity in the first half of Fiscal 2021, while prioritizing investments in the business and continuing to fund operating activities. Regarding returns to shareholders, although the dividend program remains suspended, the Company recently announced that it plans to resume share repurchases on or after March 4, 2021, dependent on various factors, such as market and business conditions, including the Company's ability to accelerate investments in the business. The Company believes that it will have adequate liquidity to fund operating activities over the next 12 months.

[Primary sources and uses of cash](#)

The Company's business has two principal selling seasons: Spring and Fall. The Company experiences its greatest sales activity during Fall, due to back-to-school and holiday sales periods. The Company relies on excess operating cash flows, which are largely generated in Fall, to fund operations throughout the year and to reinvest in the business to support future growth. The Company also has the ABL Facility available as a source of additional funding, which is described further below under "[Credit facilities and Senior Secured Notes](#)".

The Company entered Fiscal 2020 with a healthy liquidity position, however in light of COVID-19 the Company took immediate, aggressive and prudent actions, including re-evaluating all expenditures, to balance short-term and long-term liquidity needs, in order to best position the business for the Company's key stakeholders during Fiscal 2020. In an effort to improve the Company's near-term cash position, as a precautionary measure in response to COVID-19, in March 2020, the Company borrowed \$210.0 million under the ABL Facility to improve its near-term cash position and withdrew \$50.0 million from the overfunded Rabbi Trust assets, which represented the majority of excess funds. In July 2020, the Company completed the issuance of the Senior Secured Notes and received gross proceeds of \$350.0 million. The Company used the net proceeds from the offering of the Senior Secured Notes, along with existing cash on hand, to repay outstanding borrowings and accrued interest under the Term Loan Facility and the ABL Facility, with the remaining net proceeds used towards fees and expenses in connection with such repayments and the offering of the Senior Secured Notes.

Over the next twelve months, the Company expects its primary cash requirements to be directed towards funding operating activities, including the acquisition of inventory, and obligations related to compensation, marketing, leases and any lease buyouts or modifications it may exercise, taxes and other operating activities. Reflecting ongoing global uncertainty and the near-term challenges that COVID-19 presents, such as continued temporary store closures, uncertainty surrounding the global economy and customer discretionary spending habits, the Company plans to conservatively manage cash and liquidity in the first half of Fiscal 2021, while prioritizing investments in the business and continuing to fund operating activities.

The Company evaluates opportunities for investments in the business that are in line with initiatives that position the business for sustainable long-term growth that align with its strategic pillars as described within "[ITEM 1. BUSINESS - STRATEGY AND KEY BUSINESS PRIORITIES](#)". Examples of potential investment opportunities include, but are not limited to, new store experiences and options to early terminate store leases, investments in its omnichannel initiatives and investments to increase the Company's capacity to fulfill digital orders. Historically, the Company has utilized free cash flow generated from operations to fund any discretionary capital expenditures, which have been prioritized towards new store experiences, as well as digital and omnichannel investments, information technology, and other projects. For Fiscal 2020, the Company used \$101.9 million towards capital expenditures, down from \$202.8 million of capital expenditures in Fiscal 2019. Total capital expenditures for Fiscal 2021 are expected to be approximately \$100 million.

[Share repurchases and dividends](#)

In order to preserve liquidity and maintain financial flexibility in light of COVID-19, in March 2020, the Company announced that it had temporarily suspended its share repurchase program and in May 2020, the Company announced that it had temporarily suspended its dividend program. The Company has since announced it plans to resume share repurchase activity beginning on or after March 4, 2021. The timing and amount of any future share repurchases will depend on various factors, including market and business conditions. The Company's dividend program remains suspended. The Company may in the future review its dividend program to determine, in light of facts and circumstances at that time, whether and when to reinstate.

Historically, the Company has repurchased shares of its Common Stock from time to time, dependent on market and business conditions, with the objectives of offsetting dilution from issuances of Common Stock associated with the exercise of employee stock appreciation rights and the vesting of restricted stock units and returning excess cash to shareholders. Shares may be repurchased in the open market, including pursuant to any trading plans established in accordance with Rule 10b5-1 of the Exchange Act, through privately negotiated transactions or other transactions or by a combination of such methods. Refer to "[ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER](#)".

[PURCHASES OF EQUITY SECURITIES](#)” for additional information regarding the Company’s share repurchases during the fourth quarter of Fiscal 2020 and the number of shares remaining available for purchase under the Company’s publicly announced stock repurchase authorization.

Dividends are declared at the discretion of A&F’s Board of Directors. A quarterly dividend, of \$0.20 per share outstanding, was declared in February for Fiscal 2020 and in each of February, May, August and November in Fiscal 2019. Dividends were paid in March for Fiscal 2020, and in each of March, June, September and December in Fiscal 2019. A&F’s Board of Directors reviews and establishes a dividend amount, if any, based on A&F’s financial condition, results of operations, capital requirements, current and projected cash flows, business prospects and other factors, including the potential severity of impacts to the business resulting from COVID-19 and any restrictions under the Company’s agreements related to the Senior Secured Notes and the ABL Facility. There can be no assurance that the Company will pay dividends in the future or, if dividends are paid, that they will be in amounts similar to past dividends.

[Credit facilities and Senior Secured Notes](#)

In July 2020, the Company completed the private offering of the Senior Secured Notes, and received gross proceeds of \$350.0 million. The Senior Secured Notes will mature on July 15, 2025 and bear interest at a rate of 8.75% per annum, with semi-annual interest payments which began in January 2021. The Company’s debt related to the Senior Secured Notes is presented on the Consolidated Balance Sheet, net of the unamortized fees. As of January 30, 2021, the Company had \$350.0 million of gross borrowings outstanding under the Senior Secured Notes.

In addition, the ABL Facility provides for a senior secured asset-based revolving credit facility of up to \$400 million. As of January 30, 2021, the Company did not have any borrowings outstanding under the ABL Facility. The ABL Facility matures on October 19, 2022.

Details regarding borrowing available to the Company under the ABL Facility as of January 30, 2021 follow:

<i>(in thousands)</i>	<u>January 30, 2021</u>
Borrowing base	\$ 245,951
Less: Outstanding stand-by letters of credit	(871)
Borrowing capacity	245,080
Less: Minimum excess availability ⁽¹⁾	(30,000)
Borrowing available under the ABL Facility	<u>\$ 215,080</u>

⁽¹⁾ The Company must maintain excess availability equal to the greater of 10% of the loan cap or \$30 million under the ABL Facility.

Refer to Note 13, [“BORROWINGS,”](#) for additional information.

[Income taxes](#)

The Company’s earnings and profits from its foreign subsidiaries could be repatriated to the U.S., without incurring additional federal income tax. The Company determined that the balance of the Company’s undistributed earnings and profits from its foreign subsidiaries as of February 2, 2019 are considered indefinitely reinvested outside of the U.S., and if these funds were to be repatriated to the U.S., the Company would expect to incur an insignificant amount of state income taxes and foreign withholding taxes. The Company accrues for both state income taxes and foreign withholding taxes with respect to earnings and profits earned after February 2, 2019, in such a manner that these funds could be repatriated without incurring additional tax expense.

As of January 30, 2021, \$410.1 million of the Company’s \$1.1 billion of cash and equivalents were held by foreign affiliates. The Company is not dependent on dividends from its foreign affiliates to fund its U.S. operations or to fund investing and financing activities.

Refer to Note 12, [“INCOME TAXES,”](#) for additional details regarding the impact certain events related to the Company’s income taxes had on the Company’s Consolidated Financial Statements.

[Analysis of cash flows](#)

The table below provides certain components of the Company's Consolidated Statements of Cash Flows for Fiscal 2020 and Fiscal 2019:

<i>(in thousands)</i>	Fiscal 2020	Fiscal 2019
Cash and equivalents, and restricted cash and equivalents, beginning of period	\$ 692,264	\$ 745,829
Net cash provided by operating activities	404,918	300,685
Net cash used for investing activities	(51,910)	(202,784)
Net cash provided by (used for) financing activities	69,717	(147,873)
Effects of foreign currency exchange rate changes on cash	9,168	(3,593)
Net increase (decrease) in cash and equivalents, and restricted cash and equivalents	431,893	(53,565)
Cash and equivalents, and restricted cash and equivalents, end of period	<u>\$ 1,124,157</u>	<u>\$ 692,264</u>

Operating activities - The year-over-year change in operating cash flows was primarily due to actions taken by the Company during Fiscal 2020 to preserve liquidity and manage cash flows in light of COVID-19, including, but not limited to:

- Partnering with merchandise and non-merchandise vendors regarding payment terms;
- Reducing and altering the cadence of inventory receipts to align inventory with expected market demand;
- Reducing expenses to align operating costs with sales; and
- Suspending rent payments for a significant number of stores that were closed for a period of time during Fiscal 2020 as a result of COVID-19, which, coupled with rent abatements and changes in payment cadence, attributed to a year-over-year decrease in cash paid for operating lease liabilities.

These benefits to operating cash flows were partially offset by lower cash receipts as a result of the 14% decrease in net sales from last year driven by temporary store closures and a decline in store traffic in response to COVID-19 during Fiscal 2020.

While the Company has been successful in obtaining certain rent abatements and landlord concessions of rent payable during Fiscal 2020 as a result of COVID-19 store closures, the Company continues to engage with its landlords to find a mutually beneficial and agreeable path forward for certain of its other leases. In addition, despite the Company's recent history of partnering with its vendors regarding payment terms, certain payment term extensions were temporary and certain previously deferred payments have since been made. There can be no assurance that the Company will be able to maintain extended payment terms or continue to defer payments, which may result in incremental operating cash outflows in future periods.

Investing activities - For Fiscal 2020, net cash outflows for investing activities were used for capital expenditures of \$101.9 million as compared to \$202.8 million in Fiscal 2019, reflecting actions taken in Fiscal 2020 to preserve liquidity and manage cash flows in light of the COVID-19 pandemic. Fiscal 2020 net cash used for investing activities also reflects the withdrawal of \$50.0 million from the overfunded Rabbi Trust assets, which represented the majority of excess funds.

Financing activities - For Fiscal 2020, net cash provided by financing activities primarily consisted of the issuance of the Senior Secured Notes and receipt of related gross proceeds of \$350.0 million and borrowings under the ABL Facility of \$210.0 million. The gross proceeds from the Senior Secured Notes offering were used along with existing cash on hand, to repay all then outstanding borrowings and accrued interest under the Term Loan Facility and the ABL Facility, with the remaining net proceeds used towards fees and expenses in connection with such repayments and the offering. In addition, the Company repurchased approximately 1.4 million shares of A&F's Common Stock with a market value of approximately \$15.2 million and paid dividends of \$12.6 million during Fiscal 2020, prior to the Company's decision to temporarily suspend its share repurchase and dividend programs in light of COVID-19. For Fiscal 2019, net cash used for financing activities consisted primarily of the repurchase of approximately 4.0 million shares of A&F's Common Stock in the open market with a market value of approximately \$63.5 million, dividend payments of \$51.5 million and voluntary debt repayments of \$20.0 million.

Contractual obligations

As of January 30, 2021, the Company's contractual obligations were as follows:

(in thousands)	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating lease obligations ⁽¹⁾	\$ 1,410,687	\$ 307,174	\$ 498,827	\$ 304,323	\$ 300,363
Purchase obligations ⁽²⁾	249,761	208,153	25,001	5,718	10,889
Long-term debt obligations ⁽³⁾	350,000	—	—	350,000	—
Other obligations ⁽⁴⁾	259,524	87,489	86,352	60,073	25,610
Total	\$ 2,269,972	\$ 602,816	\$ 610,180	\$ 720,114	\$ 336,862

⁽¹⁾ Operating lease obligations consist of the Company's future undiscounted operating lease payments, including future fixed lease payments associated with closed flagship stores. Operating lease obligations do not include variable payments related to both lease and nonlease components, such as contingent rent payments made by the Company based on performance, and payments related to taxes, insurance, and maintenance costs. Total variable lease cost was \$65.3 million in Fiscal 2020. Refer to Note 2, "[SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Leases](#)," and Note 8, "[LEASES](#)," for further discussion.

⁽²⁾ Purchase obligations primarily consist of non-cancelable purchase orders for merchandise to be delivered during Fiscal 2021 and commitments for fabric expected to be used during upcoming seasons. In addition, purchase obligations include agreements to purchase goods or services, including, but not limited to, information technology, digital and marketing contracts, as well as estimated obligations related to the Company's 13-year, 100% renewable energy supply agreement for its global home office and Company-owned distribution centers which is expected to begin in the Company's fiscal year ending January 28, 2023.

⁽³⁾ Long-term debt obligations consist of principal payments under the Senior Secured Notes. Refer to Note 13, "[BORROWINGS](#)," for further discussion.

⁽⁴⁾ Other obligations consists of: interest payments related to the Senior Secured Notes assuming normally scheduled principal payments; estimated asset retirement obligations; accrued rent related to stores where the Company suspended payments in light of COVID-19 temporary store closures and continues to engage with its landlords on an agreeable path forward; the amount of the employer-paid portion of social security taxes deferred in light of COVID-19; payments from the Supplemental Executive Retirement Plan; known and scheduled payments related to the Company's deferred compensation and supplemental retirement plans; tax payments associated with the provisional, mandatory one-time deemed repatriation tax on accumulated foreign earnings, net payable over eight years pursuant to the Act; and minimum contractual obligations related to leases signed but not yet commenced, primarily related to the Company's stores. Refer to Note 8, "[LEASES](#)," Note 12, "[INCOME TAXES](#)," Note 13, "[BORROWINGS](#)," and Note 17, "[SAVINGS AND RETIREMENT PLANS](#)," for further discussion.

In Fiscal 2019, the Company entered into a nine-year service and distribution agreement for a facility to be located in the Phoenix, Arizona area, with services expected to commence in Fiscal 2021. Due to uncertainty as to the ultimate minimum commitments related to this agreement, these expected obligations are excluded from the contractual obligations table.

Due to uncertainty as to the amounts and timing of future payments, tax related to uncertain tax positions, including accrued interest and penalties, of \$1.1 million as of January 30, 2021 is excluded from the contractual obligations table. Deferred taxes are also excluded in the contractual obligations table. For further discussion, refer to Note 12, "[INCOME TAXES](#)."

As of January 30, 2021, the Company had recorded \$6.1 million and \$42.5 million of obligations related to its deferred compensation and supplemental retirement plans in accrued expenses and other liabilities on the Consolidated Balance Sheet, respectively. Amounts payable with known payment dates of \$19.2 million have been classified in the contractual obligations table based on those scheduled payment dates. However, it is not reasonably practicable to estimate the timing and amounts for the remainder of these obligations, therefore, those amounts have been excluded in the contractual obligations table.

A&F had historically paid quarterly dividends on its Common Stock. Due to the fact that the dividend program is currently suspended and given the payment of future dividends are subject to determination and approval by A&F's Board of Directors, there are no amounts included in the contractual obligations table related to dividends.

Off-balance sheet arrangements

As of January 30, 2021, the Company did not have any material off-balance sheet arrangements.

RECENT ACCOUNTING PRONOUNCEMENTS

The Company describes its significant accounting policies in Note 2, "[SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES](#)." The Company reviews recent accounting pronouncements on a quarterly basis and has excluded discussion of those not applicable to the Company and those that did not have, or are not expected to have, a material impact on the Company's consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires the Company to make estimates and assumptions that affect the reported amounts. Since actual results may differ from those estimates, the Company revises its estimates and assumptions as new information becomes available. The Company believes the following policies are the most critical to the portrayal of the Company's financial condition and results of operations.

Policy	Effect if Actual Results Differ from Assumptions
<p>Revenue Recognition</p> <p>The Company maintains loyalty programs, which primarily provide customers with the opportunity to earn points toward future merchandise discount rewards with qualifying purchases. The Company accounts for expected future merchandise discount reward redemptions by recognizing an unearned revenue liability as customers accumulate points, taking into account expected future redemptions, which remains until revenue is recognized at the earlier of redemption or expiration, as a component of net sales.</p> <p>This assessment requires management to make assumptions and judgments related to the probability that accumulated points will be converted into merchandise discount rewards, the probability that merchandise discount rewards will be redeemed by customers and the pattern of redemption activity. The Company determines its estimates of these factors based on historical redemption patterns.</p>	<p>The Company does not expect material changes to the underlying assumptions used to estimate deferred revenue associated with loyalty programs as of January 30, 2021. However, actual results could vary from estimates and could result in material gains or losses.</p> <p>An increase of 10% in the Company's point expiration and reward redemption estimates as of January 30, 2021 would have affected pre-tax loss by approximately \$3.4 million for Fiscal 2020.</p>
<p>Inventory Valuation</p> <p>The Company reviews inventories on a quarterly basis. The Company reduces the inventory valuation when the carrying cost of specific inventory items on hand exceeds the amount expected to be realized from the ultimate sale or disposal of the goods, through a lower of cost and net realizable value ("LCNRV") adjustment.</p> <p>The LCNRV adjustment reduces inventory to its net realizable value based on the Company's consideration of multiple factors and assumptions, including demand forecasts, current sales volumes, expected sell-off activity, composition and aging of inventory, historical recoverability experience and risk of obsolescence from changes in economic conditions or customer preferences.</p>	<p>The Company does not expect material changes to the underlying assumptions used to measure the LCNRV estimate as of January 30, 2021. However, actual results could vary from estimates and could significantly impact the ending inventory valuation at cost, as well as gross profit.</p> <p>An increase or decrease in the LCNRV adjustment of 10% would have affected pre-tax loss by approximately \$2.1 million for Fiscal 2020.</p>
<p>Income Taxes</p> <p>The provision for income taxes is determined using the asset and liability approach. Tax laws often require items to be included in tax filings at different times than the items are being reflected in the financial statements. A current liability is recognized for the estimated taxes payable for the current year. Deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. Deferred taxes are adjusted for enacted changes in tax rates and tax laws. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.</p>	<p>The Company continues to review the need for valuation allowances on a quarterly basis. It is reasonably possible, if business conditions improve, that there could be material adjustments over the next 12 months to the total amount of valuation allowances as circumstances may be such that sufficient evidence would exist to indicate that some or all of the deferred taxes currently subject to a valuation allowance will be utilized. The Company does not expect that sufficient evidence to release the valuation allowance is likely to exist at any time prior to the fourth quarter of Fiscal 2021, and there is no guarantee that such evidence will exist or that deferred taxes will be utilized.</p> <p>Changes in these judgments, assumptions or interpretations may occur and should those changes be significant, they could have a material impact on the Company's income tax provision. As January 30, 2021, the Company had recorded valuation allowances of \$174.3 million.</p>
<p>Legal Contingencies</p> <p>The Company is a defendant in lawsuits and other adversarial proceedings arising in the ordinary course of business. Legal costs incurred in connection with the resolution of claims and lawsuits are expensed as incurred, and the Company establishes estimated liabilities for the outcome of litigation where it is probable that a loss has been incurred and the amount of loss, or range of loss, is reasonably estimable. For probable losses, the Company accrues to the low end of an estimated range of loss, unless another amount within the range is determined to be more likely. Significant judgment may be applied in assessing the probability of loss and in estimating the amount of such loss.</p>	<p>Actual liabilities may differ from the amounts recorded, and there can be no assurance that the final resolution of legal contingencies will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.</p>

Long-lived Assets

Long-lived assets, primarily operating lease right-of-use assets, leasehold improvements, furniture, fixtures and equipment, are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount of the long-lived asset group might not be recoverable. These include, but are not limited to, material declines in operational performance, a history of losses, an expectation of future losses, adverse market conditions and store closure or relocation decisions. On at least a quarterly basis, the Company reviews for indicators of impairment at the individual store level, the lowest level for which cash flows are identifiable.

Stores that display an indicator of impairment are subjected to an impairment assessment. The Company's impairment assessment requires management to make assumptions and judgments related, but not limited, to management's expectations for future operations and projected cash flows. The key assumptions used in the Company's undiscounted future store cash flow models include sales, gross profit and, to a lesser extent, operating expenses.

An impairment loss may be recognized when these undiscounted future cash flows are less than the carrying amount of the asset group. In the circumstance of impairment, any loss would be measured as the excess of the carrying amount of the asset group over its fair value. Fair value of the Company's store-related assets is determined at the individual store level based on the highest and best use of the asset group. The key assumptions used in the Company's fair value analysis may include discounted future store cash flows and comparable market rents.

Leases

The Company's lease right-of-use assets represent the Company's right to use an underlying asset for the lease term. The Company's lease liabilities represent the Company's obligation to make lease payments arising from the lease. On the lease commencement date, the Company recognizes an asset for the right to use a leased asset and a liability based on the present value of remaining lease payments over the lease term on the Consolidated Balance Sheets.

In measuring the Company's lease liabilities, the remaining lease payments are discounted to present value using a discount rate. As the rates implicit in the Company's leases are not readily determinable, the Company uses its incremental borrowing rate based on the transactional currency of the lease and the lease term for the initial measurement of the lease right-of-use asset and the lease liability. For leases existing before the adoption of the new lease accounting standard, the Company used its incremental borrowing rate as of the date of adoption, determined using the remaining lease term as of the date of adoption. For leases commencing on or after the adoption of the new lease accounting standard, the incremental borrowing rate is determined using the remaining lease term as of the lease commencement date.

The Company estimates its incremental borrowing rate on a quarterly basis, based on the rate of interest that the Company would have to pay to borrow, on a collateralized basis over a similar term, an amount equal to the lease payments in a similar economic environment.

Store assets that were tested for impairment as of January 30, 2021 and not impaired, had long-lived assets with a net book value of \$82.5 million, which included \$72.1 million of operating lease right-of-use assets as of January 30, 2021.

Store assets that were previously impaired as of January 30, 2021, had a remaining net book value of \$115.3 million, which included \$106.7 million of operating lease right-of-use assets, as of January 30, 2021.

If actual results are not consistent with the estimates and assumptions used in assessing impairment or measuring impairment losses, there may be a material impact on the Company's financial condition or results of operation.

The Company does not expect material changes to the underlying assumptions used to measure its lease liabilities as of January 30, 2021.

An increase or decrease of 10% in the Company's weighted-average discount rate as of January 30, 2021, would impact both the Company's total assets and total liabilities by less than 1% and would not have a material impact on the Company's pre-tax loss for Fiscal 2020.

NON-GAAP FINANCIAL MEASURES

This Annual Report on Form 10-K includes discussion of certain financial measures on both a GAAP and a non-GAAP basis. The Company believes that each of the non-GAAP financial measures presented in this [“ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS”](#) is useful to investors as it provides a meaningful basis to evaluate the Company's operating performance excluding the effect of certain items that the Company believes do not reflect its future operating outlook, such as certain asset impairment charges related to the Company's flagship stores and significant impairments primarily attributable to the COVID-19 pandemic, therefore supplementing investors' understanding of comparability of operations across periods. Management used these non-GAAP financial measures during the periods presented to assess the Company's performance and to develop expectations for future operating performance. These non-GAAP financial measures should be used as a supplement to, and not as an alternative to, the Company's GAAP financial results, and may not be calculated in the same manner as similar measures presented by other companies.

[Comparable sales](#)

At times, the Company provides comparable sales, defined as the year-over-year percentage change in the aggregate of (1) sales for stores that have been open as the same brand at least one year and whose square footage has not been expanded or reduced by more than 20% within the past year, with the prior year's net sales converted at the current year's foreign currency exchange rates to remove the impact of foreign currency exchange rate fluctuations, and (2) digital sales with the prior year's net sales converted at the current year's foreign currency exchange rates to remove the impact of foreign currency exchange rate fluctuations. Comparable sales exclude revenue other than store and digital sales. Historically, management had used comparable sales to understand the drivers of year-over-year changes in net sales as well as a performance metric for certain performance-based restricted stock units. The Company believes comparable sales can be a useful metric as it can assist investors in distinguishing the portion of the Company's revenue attributable to existing locations from the portion attributable to the opening or closing of stores. The most directly comparable GAAP financial measure is change in net sales. In light of store closures related to COVID-19, the Company has not disclosed comparable sales for Fiscal 2020.

[Excluded items](#)

The following financial measures are disclosed on a GAAP and on an adjusted non-GAAP basis excluding the following items, as applicable:

Financial measures ⁽¹⁾	Excluded items
Asset impairment, exclusive of flagship store exit charges	Certain asset impairment charges
Operating (loss) income	Certain asset impairment charges
Income tax expense ⁽²⁾	Tax effect of pre-tax excluded items
Net (loss) income and net (loss) income per share attributable to A&F ⁽²⁾	Pre-tax excluded items and the tax effect of pre-tax excluded items

⁽¹⁾ Certain of these financial measures are also expressed as a percentage of net sales.

⁽²⁾ The tax effect of excluded items is the difference between the tax provision calculation on a GAAP basis and on an adjusted non-GAAP basis.

[Financial information on a constant currency basis](#)

The Company provides certain financial information on a constant currency basis to enhance investors' understanding of underlying business trends and operating performance by removing the impact of foreign currency exchange rate fluctuations. Management also uses financial information on a constant currency basis to award employee performance-based compensation. The effect from foreign currency exchange rates, calculated on a constant currency basis, is determined by applying the current period's foreign currency exchange rates to the prior year's results and is net of the year-over-year impact from hedging. The per diluted share effect from foreign currency exchange rates is calculated using a 26% effective tax rate.

A reconciliation of financial metrics on a constant currency basis to GAAP for Fiscal 2020 and Fiscal 2019 is as follows:

(in thousands, except change in net sales, gross profit rate, operating margin and per share data)

	Fiscal 2020	Fiscal 2019	% Change
Net sales			
GAAP	\$ 3,125,384	\$ 3,623,073	(14)%
Impact from changes in foreign currency exchange rates	—	22,459	(1)%
Net sales on a constant currency basis	\$ 3,125,384	\$ 3,645,532	(14)%
Gross profit			
	Fiscal 2020	Fiscal 2019	BPS Change ⁽¹⁾
GAAP	\$ 1,891,205	\$ 2,150,918	110
Impact from changes in foreign currency exchange rates	—	26,522	(30)
Gross profit on a constant currency basis	\$ 1,891,205	\$ 2,177,440	80
Operating (loss) income			
	Fiscal 2020	Fiscal 2019	BPS Change ⁽¹⁾
GAAP	\$ (20,469)	\$ 70,068	(260)
Excluded items ⁽²⁾	(72,937)	(12,752)	(190)
Adjusted non-GAAP	\$ 52,468	\$ 82,820	(60)
Impact from changes in foreign currency exchange rates	—	20,325	(50)
Adjusted non-GAAP on a constant currency basis	\$ 52,468	\$ 103,145	(110)
Net (loss) income per diluted share attributable to A&F			
	Fiscal 2020	Fiscal 2019	\$ Change
GAAP	\$ (1.82)	\$ 0.60	\$(2.42)
Excluded items, net of tax ⁽²⁾	(1.10)	(0.13)	(0.97)
Adjusted non-GAAP	\$ (0.73)	\$ 0.73	\$(1.46)
Impact from changes in foreign currency exchange rates	—	0.29	(0.29)
Adjusted non-GAAP on a constant currency basis	\$ (0.73)	\$ 1.02	\$(1.75)

⁽¹⁾ The estimated basis point change has been rounded based on the percentage of net sales change.

⁽²⁾ Refer to "[RESULTS OF OPERATIONS](#)," for details on excluded items. The tax effect of excluded items is calculated as the difference between the tax provision on a GAAP basis and an adjusted non-GAAP basis.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

INVESTMENT SECURITIES

The Company maintains its cash equivalents in financial instruments, primarily money market funds and time deposits, with original maturities of three months or less. Due to the short-term nature of these instruments, changes in interest rates are not expected to materially affect the fair value of these financial instruments.

Refer to Note 10, "[RABBI TRUST ASSETS](#)," of the Notes to Consolidated Financial Statements included in "[ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA](#)" of this Annual Report on Form 10-K for a discussion of the Company's Rabbi Trust assets.

INTEREST RATE RISK

Prior to July 2, 2020, our exposure to market risk due to changes in interest rates related primarily to the increase or decrease in the amount of interest expense from fluctuations in the LIBO rate, or an alternate base rate associated with the Term Loan Facility and the ABL Facility. On July 2, 2020, the Company issued the Senior Secured Notes due in 2025 with a 8.75% fixed interest rate per annum and repaid all outstanding borrowings under the Term Loan Facility and the ABL Facility, thereby eliminating any then existing cash flow market risk due to changes in interest rates. The Senior Secured Notes are exposed to interest rate risk that is limited to changes in fair value. This analysis for Fiscal 2021 may differ from the actual results due to potential changes in gross borrowings outstanding under the ABL Facility and potential changes in interest rate terms and limitations described within the associated credit agreement.

The expected transition from the widespread use of LIBO rate to alternative rates over the next several years is not expected to have a material impact on the Company's interest expense. In addition, the Company has seen, and may continue to see, lower interest income earned on the Company's investments and cash holdings, reflecting the lower interest rate environment.

FOREIGN CURRENCY EXCHANGE RATE RISK

A&F's international subsidiaries generally operate with functional currencies other than the U.S. Dollar. Since the Company's Consolidated Financial Statements are presented in U.S. Dollars, the Company must translate all components of these financial statements from functional currencies into U.S. Dollars at exchange rates in effect during or at the end of the reporting period. The fluctuation in the value of the U.S. Dollar against other currencies affects the reported amounts of revenues, expenses, assets and liabilities. The potential impact of foreign currency exchange rate fluctuations increases as international operations relative to domestic operations increase.

A&F and its subsidiaries have exposure to changes in foreign currency exchange rates associated with foreign currency transactions and forecasted foreign currency transactions, including the purchase of inventory between subsidiaries and foreign-currency-denominated assets and liabilities. The Company has established a program that primarily utilizes foreign currency exchange forward contracts to partially offset the risks associated with the effects of certain foreign currency transactions and forecasted transactions. Under this program, increases or decreases in foreign currency exchange rate exposures are partially offset by gains or losses on foreign currency exchange forward contracts, to mitigate the impact of foreign currency exchange gains or losses. The Company does not use forward contracts to engage in currency speculation. Outstanding foreign currency exchange forward contracts are recorded at fair value at the end of each fiscal period.

Foreign currency exchange forward contracts are sensitive to changes in foreign currency exchange rates. The Company assessed the risk of loss in fair values from the effect of a hypothetical 10% devaluation of the U.S. Dollar against the exchange rates for foreign currencies under contract. Such a hypothetical devaluation would decrease derivative contract fair values by approximately \$13.7 million. As the Company's foreign currency exchange forward contracts are primarily designated as cash flow hedges of forecasted transactions, the hypothetical change in fair values would be expected to be largely offset by the net change in fair values of the underlying hedged items. Refer to Note 15, "[DERIVATIVE INSTRUMENTS](#)," included in "[ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA](#)" of this Annual Report on Form 10-K for the fair value of outstanding foreign currency exchange forward contracts included in other current assets and accrued expenses as of January 30, 2021 and February 1, 2020.

For a detailed discussion of material risk factors that have the potential to cause our actual results to differ materially from our expectations, refer to "[ITEM 1A. RISK FACTORS](#)," included in this Annual Report on Form 10-K.

Item 8. Financial Statements and Supplementary Data

Abercrombie & Fitch Co. Consolidated Statements of Operations and Comprehensive (Loss) Income (Thousands, except per share amounts)

	Fiscal 2020	Fiscal 2019	Fiscal 2018
Net sales	\$ 3,125,384	\$ 3,623,073	\$ 3,590,109
Cost of sales, exclusive of depreciation and amortization	1,234,179	1,472,155	1,430,193
Gross profit	1,891,205	2,150,918	2,159,916
Stores and distribution expense	1,391,584	1,551,243	1,536,216
Marketing, general and administrative expense	463,843	464,615	484,863
Flagship store exit (benefits) charges	(11,636)	47,257	5,806
Asset impairment, exclusive of flagship store exit charges	72,937	19,135	11,580
Other operating income, net	(5,054)	(1,400)	(5,915)
Operating (loss) income	(20,469)	70,068	127,366
Interest expense, net	28,274	7,737	10,999
(Loss) income before income taxes	(48,743)	62,331	116,367
Income tax expense	60,211	17,371	37,559
Net (loss) income	(108,954)	44,960	78,808
Less: Net income attributable to noncontrolling interests	5,067	5,602	4,267
Net (loss) income attributable to A&F	\$ (114,021)	\$ 39,358	\$ 74,541
Net (loss) income per share attributable to A&F			
Basic	\$ (1.82)	\$ 0.61	\$ 1.11
Diluted	\$ (1.82)	\$ 0.60	\$ 1.08
Weighted-average shares outstanding			
Basic	62,551	64,428	67,350
Diluted	62,551	65,778	69,137
Other comprehensive income (loss)			
Foreign currency translation, net of tax	\$ 12,195	\$ (5,080)	\$ (19,940)
Derivative financial instruments, net of tax	(5,616)	(1,354)	12,542
Other comprehensive income (loss)	6,579	(6,434)	(7,398)
Comprehensive (loss) income	(102,375)	38,526	71,410
Less: Comprehensive income attributable to noncontrolling interests	5,067	5,602	4,267
Comprehensive (loss) income attributable to A&F	\$ (107,442)	\$ 32,924	\$ 67,143

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

Abercrombie & Fitch Co.
Consolidated Balance Sheets
(Thousands, except par value amounts)

	January 30, 2021	February 1, 2020
Assets		
Current assets:		
Cash and equivalents	\$ 1,104,862	\$ 671,267
Receivables	83,857	80,251
Inventories	404,053	434,326
Other current assets	68,857	78,905
Total current assets	1,661,629	1,264,749
Property and equipment, net	550,587	665,290
Operating lease right-of-use assets	893,989	1,230,954
Other assets	208,697	388,672
Total assets	\$ 3,314,902	\$ 3,549,665
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 289,396	\$ 219,919
Accrued expenses	396,365	302,214
Short-term portion of operating lease liabilities	248,846	282,829
Income taxes payable	24,792	10,392
Total current liabilities	959,399	815,354
Long-term liabilities:		
Long-term portion of operating lease liabilities	957,588	1,252,634
Long-term portion of borrowings, net	343,910	231,963
Other liabilities	104,693	178,536
Total long-term liabilities	1,406,191	1,663,133
Stockholders' equity		
Class A Common Stock - \$0.01 par value: 150,000 shares authorized and 103,300 shares issued for all periods presented	1,033	1,033
Paid-in capital	401,283	404,983
Retained earnings	2,149,470	2,313,745
Accumulated other comprehensive loss, net of tax ("AOCL")	(102,307)	(108,886)
Treasury stock, at average cost: 40,901 and 40,514 shares at January 30, 2021 and February 1, 2020, respectively	(1,512,851)	(1,552,065)
Total Abercrombie & Fitch Co. stockholders' equity	936,628	1,058,810
Noncontrolling interests	12,684	12,368
Total stockholders' equity	949,312	1,071,178
Total liabilities and stockholders' equity	\$ 3,314,902	\$ 3,549,665

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

Abercrombie & Fitch Co.
Consolidated Statements of Stockholders' Equity
(Thousands, except per share amounts)

	Common Stock				Retained earnings	AOCL	Treasury stock		Total stockholders' equity
	Shares outstanding	Par value	Paid-in capital	Non-controlling interests			Shares	At average cost	
Balance, February 3, 2018	68,195	\$ 1,033	\$ 406,351	\$ 10,092	\$ 2,420,552	\$ (95,054)	35,105	\$ (1,490,503)	\$ 1,252,471
Impact from adoption of the new revenue recognition accounting standard	—	—	—	—	6,944	—	—	—	6,944
Net income	—	—	—	4,267	74,541	—	—	—	78,808
Purchase of common stock	(2,931)	—	—	—	—	—	2,931	(68,670)	(68,670)
Dividends (\$0.80 per share)	—	—	—	—	(53,714)	—	—	—	(53,714)
Share-based compensation issuances and exercises	963	—	(22,727)	—	(29,779)	—	(963)	45,569	(6,937)
Share-based compensation expense	—	—	21,755	—	—	—	—	—	21,755
Derivative financial instruments, net of tax	—	—	—	—	—	12,542	—	—	12,542
Foreign currency translation adjustments, net of tax	—	—	—	—	—	(19,940)	—	—	(19,940)
Distributions to noncontrolling interests, net	—	—	—	(4,638)	—	—	—	—	(4,638)
Balance, February 2, 2019	66,227	\$ 1,033	\$ 405,379	\$ 9,721	\$ 2,418,544	\$ (102,452)	37,073	\$ (1,513,604)	\$ 1,218,621
Impact from adoption of the new lease accounting standard	—	—	—	—	(75,165)	—	—	—	(75,165)
Net income	—	—	—	5,602	39,358	—	—	—	44,960
Purchase of common stock	(3,957)	—	—	—	—	—	3,957	(63,542)	(63,542)
Dividends (\$0.80 per share)	—	—	—	—	(51,510)	—	—	—	(51,510)
Share-based compensation issuances and exercises	516	—	(14,403)	—	(17,482)	—	(516)	25,081	(6,804)
Share-based compensation expense	—	—	14,007	—	—	—	—	—	14,007
Derivative financial instruments, net of tax	—	—	—	—	—	(1,354)	—	—	(1,354)
Foreign currency translation adjustments, net of tax	—	—	—	—	—	(5,080)	—	—	(5,080)
Distributions to noncontrolling interests, net	—	—	—	(2,955)	—	—	—	—	(2,955)
Balance, February 1, 2020	62,786	\$ 1,033	\$ 404,983	\$ 12,368	\$ 2,313,745	\$ (108,886)	40,514	\$ (1,552,065)	\$ 1,071,178
Net income (loss)	—	—	—	5,067	(114,021)	—	—	—	(108,954)
Purchase of common stock	(1,397)	—	—	—	—	—	1,397	(15,172)	(15,172)
Dividends (\$0.20 per share)	—	—	—	—	(12,556)	—	—	—	(12,556)
Share-based compensation issuances and exercises	1,010	—	(22,382)	—	(37,698)	—	(1,010)	54,386	(5,694)
Share-based compensation expense	—	—	18,682	—	—	—	—	—	18,682
Derivative financial instruments, net of tax	—	—	—	—	—	(5,616)	—	—	(5,616)
Foreign currency translation adjustments, net of tax	—	—	—	—	—	12,195	—	—	12,195
Distributions to noncontrolling interests, net	—	—	—	(4,751)	—	—	—	—	(4,751)
Balance, January 30, 2021	62,399	\$ 1,033	\$ 401,283	\$ 12,684	\$ 2,149,470	\$ (102,307)	40,901	\$ (1,512,851)	\$ 949,312

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

Abercrombie & Fitch Co.
Consolidated Statements of Cash Flows
(Thousands)

	Fiscal 2020	Fiscal 2019	Fiscal 2018
<u>Operating activities</u>			
Net (loss) income	\$ (108,954)	\$ 44,960	\$ 78,808
Adjustments to reconcile net (loss) income to net cash provided by operating activities			
Depreciation and amortization	166,281	173,625	178,030
Asset impairment	72,937	22,364	11,580
Loss on disposal	16,353	6,298	6,020
Amortization of deferred lease credits prior to adoption of new lease accounting standard	—	—	(21,320)
Provision for deferred income taxes	23,986	9,150	5,946
Share-based compensation	18,682	14,007	21,755
Changes in assets and liabilities			
Inventories	33,312	2,270	(23,820)
Accounts payable and accrued expenses	186,747	10,821	63,155
Operating lease right-of-use assets and liabilities	(55,700)	46,442	—
Income taxes	10,753	(5,473)	5,409
Other assets	38,632	(20,137)	33,302
Other liabilities	1,889	(3,642)	(5,932)
Net cash provided by operating activities	404,918	300,685	352,933
<u>Investing activities</u>			
Purchases of property and equipment	(101,910)	(202,784)	(152,393)
Withdrawal of funds from Rabbi Trust assets	50,000	—	—
Net cash used for investing activities	(51,910)	(202,784)	(152,393)
<u>Financing activities</u>			
Proceeds from issuance of senior secured notes	350,000	—	—
Proceeds from borrowings under the senior secured asset-based revolving credit facility	210,000	—	—
Repayment of borrowings under the term loan facility	(233,250)	(20,000)	—
Repayment of borrowings under the senior secured asset-based revolving credit facility	(210,000)	—	—
Payment of debt issuance costs and fees	(7,318)	—	—
Purchases of common stock	(15,172)	(63,542)	(68,670)
Dividends paid	(12,556)	(51,510)	(53,714)
Other financing activities	(11,987)	(12,821)	(9,307)
Net cash provided by (used for) financing activities	69,717	(147,873)	(131,691)
Effect of foreign currency exchange rates on cash	9,168	(3,593)	(20,975)
Net increase (decrease) in cash and equivalents, and restricted cash and equivalents	431,893	(53,565)	47,874
Cash and equivalents, and restricted cash and equivalents, beginning of period	692,264	745,829	697,955
Cash and equivalents, and restricted cash and equivalents, end of period	\$ 1,124,157	\$ 692,264	\$ 745,829
<u>Supplemental information related to non-cash activities</u>			
Purchases of property and equipment not yet paid at end of period	\$ 16,250	\$ 44,199	\$ 17,299
Operating lease right-of-use assets additions, net of terminations, impairments and other reductions	\$ (38,279)	\$ 391,753	\$ —
<u>Supplemental information related to cash activities</u>			
Cash paid for interest	\$ 26,629	\$ 17,514	\$ 14,221
Cash paid for income taxes	\$ 15,210	\$ 20,717	\$ 24,331
Cash received from income tax refunds	\$ 4,650	\$ 8,773	\$ 9,631
Cash paid for amounts included in measurement of operating lease liabilities, net of abatements received of \$30.7 million in Fiscal 2020	\$ 316,992	\$ 422,850	\$ —

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

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Abercrombie & Fitch Co.
Notes to Consolidated Financial Statements

1. NATURE OF BUSINESS

Abercrombie & Fitch Co. ("A&F"), a company incorporated in Delaware in 1996, through its subsidiaries (collectively, A&F and its subsidiaries are referred to as "Abercrombie & Fitch" or the "Company"), is a global multi-brand omnichannel specialty retailer, whose products are sold primarily through its digital channels and Company-owned stores, as well as through various third-party arrangements. The Company offers a broad assortment of apparel, personal care products and accessories for men, women and kids under the Company's two brand-based operating segments: Hollister, which includes the Company's Hollister and Gilly Hicks brands, and Abercrombie, which includes the Company's Abercrombie & Fitch and abercrombie kids brands. The brands share a commitment to offering unique products of enduring quality and exceptional comfort that allow customers around the world to express their own individuality and style. The Company operates primarily in North America, Europe and Asia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The accompanying Consolidated Financial Statements include historical financial statements of, and transactions applicable to, the Company and reflect its financial position, results of operations and cash flows.

The Company has interests in an Emirati business venture and in a Kuwaiti business venture with Majid al Futtaim Fashion L.L.C. ("MAF"), each of which meets the definition of a variable interest entity ("VIE"). The Company is deemed to be the primary beneficiary of these VIEs; therefore, the Company has consolidated the operating results, assets and liabilities of these VIEs, with MAF's portion of net income presented as net income attributable to noncontrolling interests ("NCI") on the Consolidated Statements of Operations and Comprehensive (Loss) Income and MAF's portion of equity presented as NCI on the Consolidated Balance Sheets.

Fiscal year

The Company's fiscal year ends on the Saturday closest to January 31. This typically results in a fifty-two week year, but occasionally gives rise to an additional week, resulting in a fifty-three week year. Fiscal years are designated in the Consolidated Financial Statements and Notes thereto by the calendar year in which the fiscal year commenced. All references herein to the Company's fiscal years are as follows:

<u>Fiscal year</u>	<u>Year ended/ ending</u>	<u>Number of weeks</u>
Fiscal 2018	February 2, 2019	52
Fiscal 2019	February 1, 2020	52
Fiscal 2020	January 30, 2021	52
Fiscal 2021	January 29, 2022	52

Use of estimates

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. Due to the inherent uncertainty involved with estimates, actual results may differ. The extent to which the current outbreak of coronavirus disease ("COVID-19") impacts the Company's business and financial results will depend on numerous evolving factors including, but not limited to: the magnitude and duration of the COVID-19 pandemic and its impact on the length or frequency of store closures, and the extent to which COVID-19 will impact worldwide macroeconomic conditions including interest rates, the speed of the economic recovery, and governmental, business and consumer reactions to the pandemic. The Company's assessment of these, as well as other factors, could impact management's estimates and result in material impacts to the Company's consolidated financial statements in future reporting periods.

[Cash and equivalents](#)

A summary of cash and equivalents on the Consolidated Balance Sheets follows:

<i>(in thousands)</i>	January 30, 2021	February 1, 2020
Cash ⁽¹⁾	\$ 796,994	\$ 612,595
Cash equivalents: ⁽²⁾		
Time deposits	11,589	58,447
Money market funds	296,279	225
Cash and equivalents	<u>\$ 1,104,862</u>	<u>\$ 671,267</u>

⁽¹⁾ Primarily consists of amounts on deposit with financial institutions.

⁽²⁾ Investments with original maturities of less than three months.

[Consolidated Statements of Cash Flows reconciliation](#)

The following table provides a reconciliation of cash and equivalents and restricted cash and equivalents to the amounts shown on the Consolidated Statements of Cash Flows:

<i>(in thousands)</i>	Location	January 30, 2021	February 1, 2020	February 2, 2019
Cash and equivalents	Cash and equivalents	\$ 1,104,862	\$ 671,267	\$ 723,135
Long-term restricted cash and equivalents	Other assets	14,814	18,696	22,694
Short-term restricted cash and equivalents	Other current assets	4,481	2,301	—
Restricted cash and equivalents ⁽¹⁾		\$ 19,295	\$ 20,997	\$ 22,694
Cash and equivalents and restricted cash and equivalents		<u>\$ 1,124,157</u>	<u>\$ 692,264</u>	<u>\$ 745,829</u>

⁽¹⁾ Restricted cash and equivalents primarily consists of amounts on deposit with banks that are used as collateral for customary non-debt banking commitments and deposits into trust accounts to conform to standard insurance security requirements.

[Receivables](#)

Receivables on the Consolidated Balance Sheets primarily include credit card receivables, lessor construction allowances, value added tax ("VAT") receivables, trade receivables, income tax receivables and other tax credits or refunds.

As part of the normal course of business, the Company has approximately three to four days of proceeds from sales transactions outstanding with its third-party credit card vendors at any point. The Company classifies these outstanding balances as credit card receivables. Lessor construction allowances are recorded for certain store lease agreements for improvements completed by the Company. VAT receivables are payments the Company has made on purchases of goods that will be recovered as those goods are sold. Trade receivables are amounts billed by the Company to wholesale, franchise and licensing partners in the ordinary course of business. Income tax receivables represent refunds of certain tax payments along with net operating loss and credit carryback claims for which the Company expects to receive refunds within the next 12 months.

[Inventories](#)

Inventories on the Consolidated Balance Sheets are valued at the lower of cost and net realizable value on a weighted-average cost basis. The Company reduces the carrying value of inventory through a lower of cost and net realizable value adjustment, the impact of which is reflected in cost of sales, exclusive of depreciation and amortization, on the Consolidated Statements of Operations and Comprehensive (Loss) Income. The lower of cost and net realizable value adjustment is based on the Company's consideration of multiple factors and assumptions including demand forecasts, current sales volumes, expected sell-off activity, composition and aging of inventory, historical recoverability experience and risk of obsolescence from changes in economic conditions or customer preferences.

Additionally, as part of inventory valuation, inventory shrinkage estimates based on historical trends from actual physical inventories are made each quarter that reduce the inventory value for lost or stolen items. The Company performs physical inventories on a periodic basis and adjusts the shrink estimate accordingly. Refer to Note 6, "[INVENTORIES](#)."

The Company's global sourcing of merchandise is generally negotiated and settled in U.S. Dollars.

[Other current assets](#)

Other current assets on the Consolidated Balance Sheets consists of: prepaid expenses including those related to rent, information technology maintenance and taxes; current store supplies; derivative contracts; short-term restricted cash and other.

[Property and equipment, net](#)

Depreciation of property and equipment is computed for financial reporting purposes on a straight-line basis using the following service lives:

Category of property and equipment	Service lives
Information technology	3 - 7 years
Furniture, fixtures and equipment	3 - 15 years
Leasehold improvements	3 - 15 years
Other property and equipment	3 - 20 years
Buildings	30 years

Leasehold improvements are amortized over either their respective lease terms or their service lives, whichever is shorter. The cost of assets sold or retired and the related accumulated depreciation are removed from the accounts with any resulting gain or loss included in net income on the Consolidated Statements of Operations and Comprehensive (Loss) Income. Maintenance and repairs are charged to expense as incurred. Major remodels and improvements that extend the service lives of the related assets are capitalized.

The Company capitalizes certain direct costs associated with the development and purchase of internal-use software within property and equipment. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of the software, generally not exceeding seven years.

Refer to Note 7, "[PROPERTY AND EQUIPMENT, NET.](#)"

[Leases](#)

The Company determines if an arrangement is an operating lease at inception. For new operating leases, the Company recognizes an asset for the right to use a leased asset and a liability based on the present value of remaining lease payments over the lease term on the lease commencement date. The commencement date for new leases is when the lessor makes the leased asset available for use by the Company, typically the possession date.

As the rates implicit in the Company's leases are not readily determinable, the Company uses its incremental borrowing rate based on the transactional currency of the operating lease and the lease term for the initial measurement of the operating lease right-of-use asset and liability. For operating leases existing before the adoption of the new lease accounting standard, the Company used its incremental borrowing rate as of the date of adoption, determined using the remaining lease term as of the date of adoption. For operating leases commencing on or after the adoption of the new lease accounting standard, the incremental borrowing rate is determined using the remaining lease term as of the lease commencement date. The Company has elected to combine lease and nonlease components for all current classes of underlying leased assets.

The measurement of operating lease right-of-use assets and liabilities includes amounts related to:

- Lease payments made prior to the lease commencement date;
- Incentives from landlords received by the Company for signing a lease, including construction allowances or deferred lease credits paid to the Company by landlords towards construction and tenant improvement costs, which are presented as a reduction to the right-of-use asset recorded;
- Fixed payments related to operating lease components, such as rent escalation payments scheduled at the lease commencement date;
- Fixed payments related to nonlease components, such as taxes, insurance, and maintenance costs; and
- Unamortized initial direct costs incurred in conjunction with securing a lease, including key money, which are amounts paid directly to a landlord in exchange for securing the lease, and leasehold acquisition costs, which are amounts paid to parties other than the landlord, such as an existing tenant, to secure the desired lease.

The measurement of operating lease right-of-use assets and liabilities excludes amounts related to:

- Costs expected to be incurred to return a leased asset to its original condition, also referred to as asset retirement obligations, which are classified within other liabilities on the Consolidated Balance Sheets;
- Variable payments related to operating lease components, such as contingent rent payments made by the Company based on performance, the expense of which is recognized in the period incurred on the Consolidated Statements of Operations and Comprehensive (Loss) Income;
- Variable payments related to nonlease components, such as taxes, insurance, and maintenance costs, the expense of which is recognized in the period incurred in the Consolidated Statements of Operations and Comprehensive (Loss) Income; and

- Leases not related to Company-operated retail stores with an initial term of 12 months or less, the expense of which is recognized in the period incurred in the Consolidated Statements of Operations and Comprehensive (Loss) Income.

Certain of the Company's operating leases include options to extend the lease or to terminate the lease. The Company assesses these operating leases and, depending on the facts and circumstances, may or may not include these options in the measurement of the Company's operating lease right-of-use assets and liabilities. Generally, the Company's options to extend its operating leases are at the Company's sole discretion and at the time of lease commencement are not reasonably certain of being exercised. There may be instances in which a lease is being renewed on a month-to-month basis and, in these instances, the Company will recognize lease expense in the period incurred in the Consolidated Statements of Operations and Comprehensive (Loss) Income until a new agreement has been executed. Upon signing of the renewal agreement, the Company recognizes an asset for the right to use the leased asset and a liability based on the present value of remaining lease payments over the lease term.

Amortization and interest expense related to operating lease right-of-use assets and liabilities are generally calculated on a straight-line basis over the lease term. Amortization and interest expense related to previously impaired operating lease right-of-use assets are calculated on a front-loaded pattern. Depending on the nature of the operating lease, amortization and interest expense are primarily recorded within stores and distribution expense, marketing, general and administrative expense, or flagship store exit (benefits) charges on the Consolidated Statements of Operations and Comprehensive (Loss) Income.

The Company's operating lease agreements do not contain any material residual value guarantees or material restrictive covenants. In addition, the Company does not have any sublease arrangements with any related party.

Refer to Note 8, "[LEASES](#)."

[Long-lived asset impairment](#)

For the purposes of asset impairment, the Company's long-lived assets, primarily operating lease right-of-use assets, leasehold improvements, furniture, fixtures and equipment, are grouped with other assets and liabilities at the store level, which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. On at least a quarterly basis, management reviews the Company's asset groups for indicators of impairment, which include, but are not limited to, material declines in operational performance, a history of losses, an expectation of future losses, adverse market conditions, store closure or relocation decisions, and any other events or changes in circumstances that would indicate the carrying amount of an asset group might not be recoverable.

If an asset group displays an indicator of impairment, it is tested for recoverability by comparing the sum of the estimated future undiscounted cash flows attributable to the asset group to the carrying amount of the asset group. This recoverability test requires management to make assumptions and judgments related, but not limited, to management's expectations for future cash flows from operating the store. The key assumptions used in developing these projected cash flows used in the recoverability test include estimates of future sales, gross profit and, to a lesser extent, operating expenses.

If the sum of the estimated future undiscounted cash flows attributable to an asset group is less than its carrying amount, and it is determined that the carrying amount of the asset group is not recoverable, management determines if there is an impairment loss by comparing the carrying amount of the asset group to its fair value. Fair value of an asset group is based on the highest and best use of the asset group, often using a discounted cash flow model that utilizes Level 3 fair value inputs. The key assumptions used in estimating fair value of an asset group may include discounted estimates of future cash flows from operating the store or comparable market rents. An impairment loss is recognized based on the excess of the carrying amount of the asset group over its fair value.

Refer to Note 9, "[ASSET IMPAIRMENT](#)."

[Other assets](#)

Other assets on the Consolidated Balance Sheets consist primarily of the Company's trust-owned life insurance policies held in the irrevocable rabbi trust (the "Rabbi Trust"), deferred tax assets, long-term deposits, intellectual property, long-term restricted cash and equivalents, long-term supplies and various other assets.

[Rabbi Trust assets](#)

The Rabbi Trust includes amounts, restricted in their use, to meet funding obligations to participants in the Abercrombie & Fitch Co. Nonqualified Savings and Supplemental Retirement Plan I, the Abercrombie & Fitch Co. Nonqualified Savings and Supplemental Retirement Plan II and the Supplemental Executive Retirement Plan. The Rabbi Trust assets primarily consist of trust-owned life insurance policies which are recorded at cash surrender value and are included in other assets on the

Consolidated Balance Sheets. The change in cash surrender value of the Rabbi Trust is recorded in interest expense, net on the Consolidated Statements of Operations and Comprehensive (Loss) Income.

Refer to Note 10, "[RABBI TRUST ASSETS](#)."

[Intellectual property](#)

Intellectual property primarily includes trademark assets associated with the Company's international operations, consisting of finite-lived and indefinite-lived intangible assets. The Company's finite-lived intangible assets are amortized over a useful life of 10 to 20 years.

[Income taxes](#)

Income taxes are calculated using the asset and 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 current enacted tax rates in effect for the years in which those temporary differences are expected to reverse. Inherent in the determination of the Company's income tax liability and related deferred income tax balances are certain judgments and interpretations of enacted tax law and published guidance with respect to applicability to the Company's operations. The Company is subject to audit by taxing authorities, usually several years after tax returns have been filed, and the taxing authorities may have differing interpretations of tax laws. Valuation allowances are established to reduce deferred tax assets to the amount expected to be realized when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company records tax expense or benefit that does not relate to ordinary income in the current fiscal year discretely in the period in which it occurs. Examples of such types of discrete items include, but are not limited to: changes in estimates of the outcome of tax matters related to prior years, assessments of valuation allowances, return-to-provision adjustments, tax-exempt income, the settlement of tax audits and changes in tax legislation and/or regulations.

Tax benefits from uncertain tax positions are recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. The amount recognized is measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon settlement. The Company's effective tax rate includes the impact of reserve provisions and changes to reserves on uncertain tax positions that are not more likely than not to be sustained upon examination as well as related interest and penalties.

A number of years may elapse before a particular matter, for which the Company has established a reserve, is audited and finally resolved. The number of years with open tax audits varies depending on the tax jurisdiction. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, the Company believes that its reserves reflect the probable outcome of known tax contingencies. Unfavorable settlement of any particular issue may require use of the Company's cash. Favorable resolution would be recognized as a reduction to the Company's effective tax rate in the period of resolution.

The Company recognizes accrued interest and penalties related to uncertain tax positions as a component of income tax expense on the Consolidated Statements of Operations and Comprehensive (Loss) Income.

Refer to Note 12, "[INCOME TAXES](#)."

[Foreign currency translation and transactions](#)

The functional currencies of the Company's foreign subsidiaries are generally the respective local currencies in the countries in which they operate. Assets and liabilities denominated in foreign currencies are translated into U.S. Dollars (the reporting currency) at the exchange rate prevailing at the balance sheet date. Equity accounts denominated in foreign currencies are translated into U.S. Dollars at historical exchange rates. Revenues and expenses denominated in foreign currencies are translated into U.S. Dollars at the monthly average exchange rate for the period. Gains and losses resulting from foreign currency transactions are included in other operating income, net; whereas, translation adjustments and gains and losses associated with measuring inter-company loans of a long-term investment nature are reported as an element of other comprehensive income (loss).

[Derivative instruments](#)

The Company is exposed to risks associated with changes in foreign currency exchange rates and uses derivative instruments, primarily forward contracts, to manage the financial impacts of these exposures. The Company does not use forward contracts to engage in currency speculation and does not enter into derivative financial instruments for trading purposes.

In order to qualify for hedge accounting treatment, a derivative instrument must be considered highly effective at offsetting changes in either the hedged item's cash flows or fair value. Additionally, the hedge relationship must be documented to include the risk management objective and strategy, the hedging instrument, the hedged item, the risk exposure, and how hedge effectiveness will be assessed prospectively and retrospectively. The extent to which a hedging instrument has been, and is expected to continue to be, effective at offsetting changes in fair value or cash flows is assessed and documented at least quarterly. If the underlying hedged item is no longer probable of occurring, hedge accounting is discontinued.

For derivative instruments that either do not qualify for hedge accounting or are not designated as hedges, all changes in the fair value of the derivative instrument are recognized in earnings. For qualifying cash flow hedges, the change in the fair value of the derivative instrument is recorded as a component of other comprehensive income (loss) ("OCI") and recognized in earnings when the hedged cash flows affect earnings. If the cash flow hedge relationship is terminated, the derivative instrument gains or losses that are deferred in OCI will be recognized in earnings when the hedged cash flows occur. However, for cash flow hedges that are terminated because the forecasted transaction is not expected to occur in the original specified time period, or a two-month period thereafter, the derivative instrument gains or losses are immediately recognized in earnings, except as allowable under certain extenuating circumstances.

The Company uses derivative instruments, primarily forward contracts designated as cash flow hedges, to hedge the foreign currency exchange rate exposure associated with forecasted foreign-currency-denominated intercompany inventory transactions with foreign subsidiaries before inventory is sold to third parties. Fluctuations in exchange rates will either increase or decrease the Company's intercompany equivalent cash flows and affect the Company's U.S. Dollar earnings. Gains or losses on the foreign currency exchange forward contracts that are used to hedge these exposures are expected to partially offset this variability. Foreign currency exchange forward contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed upon settlement date. These forward contracts typically have a maximum term of twelve months. The conversion of the inventory to cost of sales, exclusive of depreciation and amortization, will result in the reclassification of related derivative gains and losses that are reported in AOCL into earnings on the Consolidated Balance Sheets.

The Company also uses foreign currency exchange forward contracts to hedge certain foreign-currency-denominated net monetary assets and liabilities, such as cash balances, receivables and payables. Fluctuations in foreign currency exchange rates result in transaction gains and losses being recorded in earnings as monetary assets and liabilities are remeasured at the spot exchange rate at the Company's fiscal month-end or upon settlement. The Company has chosen not to apply hedge accounting to these foreign currency exchange forward contracts because there are no differences in the timing of gain or loss recognition on the hedging instruments and the hedged items.

The Company presents its derivative assets and derivative liabilities at their gross fair values within other current assets and accrued liabilities, respectively, on the Consolidated Balance Sheets. However, the Company's derivative contracts allow net settlements under certain conditions.

Refer to Note 15, "[DERIVATIVE INSTRUMENTS](#)."

[Stockholders' equity](#)

A summary of the Company's Class A Common Stock (the "Common Stock"), \$0.01 par value, and Class B Common Stock, \$0.01 par value, follows:

<i>(in thousands)</i>	January 30, 2021	February 1, 2020
Class A Common Stock		
Shares authorized	150,000	150,000
Shares issued	103,300	103,300
Shares outstanding	62,399	62,786
Class B Common Stock ⁽¹⁾		
Shares authorized	106,400	106,400

⁽¹⁾ No shares were issued or outstanding as of each of January 30, 2021 and February 1, 2020.

Holders of Class A Common Stock generally have identical rights to holders of Class B Common Stock, except 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 stockholders.

[Revenue recognition](#)

The Company recognizes revenue from product sales when control of the good is transferred to the customer, generally upon pick up at, or shipment from, a Company location.

The Company provides shipping and handling services to customers in certain transactions under its digital operations. Revenue associated with the related shipping and handling obligations is deferred until the obligation is fulfilled, typically upon the customer's receipt of the merchandise. The related shipping and handling costs are classified in stores and distribution expense on the Consolidated Statements of Operations and Comprehensive (Loss) Income.

Revenue is recorded net of estimated returns, associate discounts, promotions and other similar customer incentives. The Company estimates reserves for sales returns based on historical experience among other factors. The sales return reserve is classified in accrued expenses on the Consolidated Balance Sheets.

The Company accounts for gift cards sold to customers by recognizing an unearned revenue liability at the time of sale, which is recognized as net sales when redeemed by the customer or when the Company has determined the likelihood of redemption to be remote, referred to as gift card breakage. Gift card breakage is recognized proportionally with gift card redemptions in net sales. Gift cards sold to customers do not expire or lose value over periods of inactivity and the Company is not required by law to escheat the value of unredeemed gift cards to the jurisdictions in which it operates.

The Company also maintains loyalty programs, which primarily provide customers with the opportunity to earn points toward future merchandise discount rewards with qualifying purchases. The Company accounts for expected future reward redemptions by recognizing an unearned revenue liability as customers accumulate points, which remains until revenue is recognized at the earlier of redemption or expiration.

Unearned revenue liabilities related to the Company's gift card program and loyalty programs are classified in accrued expenses on the Consolidated Balance Sheets and are typically recognized as revenue within a 12-month period.

For additional details on the Company's unearned revenue liabilities related to the Company's gift card and loyalty programs, refer to Note 4, "[REVENUE RECOGNITION](#)."

The Company also recognizes revenue under wholesale arrangements, which is generally recognized upon shipment, when control passes to the wholesale partner. Revenue from the Company's franchise and license arrangements, primarily royalties earned upon the sale of merchandise, is generally recognized at the time merchandise is sold to the franchisees' retail customers or to the licensees' wholesale customers.

The Company does not include tax amounts collected from customers on behalf of third parties, including sales and indirect taxes, in net sales.

All revenues are recognized in net sales in the Consolidated Statements of Operations and Comprehensive (Loss) Income. For a discussion of the disaggregation of revenue, refer to Note 18, "[SEGMENT REPORTING](#)."

[Cost of sales, exclusive of depreciation and amortization](#)

Cost of sales, exclusive of depreciation and amortization on the Consolidated Statements of Operations and Comprehensive (Loss) Income, primarily consists of cost incurred to ready inventory for sale, including product costs, freight, and import costs, as well as provisions for reserves for shrink and lower of cost and net realizable value. Gains and losses associated with the effective portion of designated foreign currency exchange forward contracts related to the hedging of intercompany inventory transactions are also recognized in cost of sales, exclusive of depreciation and amortization, on the Consolidated Statements of Operations and Comprehensive (Loss) Income.

The Company's cost of sales, exclusive of depreciation and amortization, and consequently gross profit, may not be comparable to those of other retailers, as inclusion of certain costs vary across the industry. Some retailers include all costs related to buying, design and distribution operations in cost of sales, while others may include either all or a portion of these costs in selling, general and administrative expenses.

[Stores and distribution expense](#)

Stores and distribution expense on the Consolidated Statements of Operations and Comprehensive (Loss) Income primarily consists of: store payroll; store management; operating lease costs in Fiscal 2020 and Fiscal 2019 and rent expense in Fiscal 2018; utilities and other landlord expenses; depreciation and amortization, except for those amounts included in marketing,

general and administrative expense; repairs and maintenance and other store support functions; marketing and other costs related to the Company's digital operations; shipping and handling costs; and distribution center ("DC") expense.

A summary of shipping and handling costs, which includes costs incurred to store, move and prepare product for shipment and costs incurred to physically move product to our customers across channels, follows:

<i>(in thousands)</i>	Fiscal 2020	Fiscal 2019	Fiscal 2018
Shipping and handling costs	\$ 291,534	\$ 224,604	\$ 201,614

Marketing, general and administrative expense

Marketing, general and administrative expense on the Consolidated Statements of Operations and Comprehensive (Loss) Income primarily consists of: home office compensation and marketing, except for those departments included in stores and distribution expense; information technology; outside services, such as legal and consulting; depreciation, primarily related to IT and other home office assets; amortization related to trademark assets; costs to design and develop the Company's merchandise; relocation; recruiting; and travel expenses.

Other operating income, net

Other operating income, net on the Consolidated Statements of Operations and Comprehensive (Loss) Income primarily consists of gains and losses resulting from foreign-currency-denominated transactions. A summary of foreign-currency-denominated transactions, including those related to derivative instruments, follows:

<i>(in thousands)</i>	Fiscal 2020	Fiscal 2019	Fiscal 2018
Foreign-currency-denominated transaction gains	\$ 3,933	\$ 348	\$ 5,267

Interest expense, net

For Fiscal 2020 and Fiscal 2019, interest expense primarily consisted of interest expense on the Company's long-term borrowings outstanding. For Fiscal 2018, interest expense primarily consisted of borrowings outstanding under the Company's Term Loan Facility and interest expense related to landlord financing obligations, which were eliminated along with the related interest expense upon adoption of the new lease accounting standard in Fiscal 2019. For Fiscal 2020, Fiscal 2019 and Fiscal 2018, interest income primarily consisted of interest income earned on the Company's investments and cash holdings and realized gains from the Rabbi Trust assets.

A summary of interest expense, net follows:

<i>(in thousands)</i>	Fiscal 2020	Fiscal 2019	Fiscal 2018
Interest expense ⁽¹⁾	\$ 31,726	\$ 19,908	\$ 22,788
Interest income	(3,452)	(12,171)	(11,789)
Interest expense, net	<u>\$ 28,274</u>	<u>\$ 7,737</u>	<u>\$ 10,999</u>

⁽¹⁾ Includes interest expense related to landlord financing obligations of \$5.5 million for Fiscal 2018. Landlord financing obligations were eliminated with the adoption of the new lease accounting standard at the beginning of Fiscal 2019.

Advertising costs

Advertising costs consist primarily of paid media advertising, direct digital advertising, including e-mail distribution, digital content and in-store photography and signage.

Advertising costs related specifically to digital operations are expensed as incurred and the production of in-store photography and signage is expensed when the marketing campaign commences as components of stores and distribution expense. All other advertising costs are expensed as incurred as components of marketing, general and administrative expense.

A summary of advertising costs follows:

<i>(in thousands)</i>	Fiscal 2020	Fiscal 2019	Fiscal 2018
Advertising costs	\$ 118,537	\$ 134,058	\$ 136,553

[Share-based compensation](#)

The Company issues shares of Common Stock from treasury stock upon exercise of stock options and stock appreciation rights and vesting of restricted stock units, including those converted from performance share awards. As of January 30, 2021, the Company had sufficient treasury stock available to settle restricted stock units and stock appreciation rights outstanding. Settlement of stock awards in Common Stock also requires that the Company have sufficient shares available in stockholder-approved plans at the applicable time.

In the event, at each reporting date as of which share-based compensation awards remain outstanding, there are not sufficient shares of Common Stock available to be issued under the Abercrombie & Fitch Co. 2016 Long-Term Incentive Plan for Directors (as amended effective May 20, 2020, the "2016 Directors LTIP") and the Abercrombie & Fitch Co. 2016 Long-Term Incentive Plan for Associates (as amended effective May 20, 2020, the "2016 Associates LTIP"), or under a successor or replacement plan, the Company may be required to designate some portion of the outstanding awards to be settled in cash, which would result in liability classification of such awards. The fair value of liability-classified awards would be re-measured each reporting date until such awards no longer remain outstanding or until sufficient shares of Common Stock become available to be issued under the existing plans or under a successor or replacement plan. As long as the awards are required to be classified as a liability, the change in fair value would be recognized in current period expense based on the requisite service period rendered.

Fair value of both service-based and performance-based restricted stock units is calculated using the market price of the underlying Common Stock on the date of grant reduced for anticipated dividend payments on unvested shares. In determining fair value, the Company does not take into account performance-based vesting requirements. Performance-based vesting requirements are taken into account in determining the number of awards expected to vest. For market-based restricted stock units, fair value is calculated using a Monte Carlo simulation with the number of shares that ultimately vest dependent on the Company's total stockholder return measured against the total stockholder return of a select group of peer companies over a three-year period. For awards with performance-based or market-based vesting requirements, the number of shares that ultimately vest can vary from 0% to 200% of target depending on the level of achievement of performance criteria.

The Company estimates the fair value of stock appreciation rights using the Black-Scholes option-pricing model, which requires the Company to estimate the expected term of the stock appreciation rights and expected future stock price volatility over the expected term. Estimates of expected terms, which represent the expected periods of time the Company believes stock appreciation rights will be outstanding, are based on historical experience. Estimates of expected future stock price volatility are based on the volatility of the Company's Common Stock price for the most recent historical period equal to the expected term of the stock appreciation rights, as appropriate. The Company calculates the volatility as the annualized standard deviation of the differences in the natural logarithms of the weekly closing price of the Common Stock, adjusted for stock splits and dividends.

Service-based restricted stock units are expensed on a straight-line basis over the award's requisite service period. Performance-based restricted stock units subject to graded vesting are expensed on an accelerated attribution basis. Performance share award expense is primarily recognized in the performance period of the award's requisite service period. Market-based restricted stock units without graded vesting features are expensed on a straight-line basis over the award's requisite service period. Compensation expense for stock appreciation rights is recognized on a straight-line basis over the award's requisite service period. The Company adjusts share-based compensation expense on a quarterly basis for actual forfeitures.

For awards that are expected to result in a tax deduction, a deferred tax asset is recorded in the period in which share-based compensation expense is recognized. A current tax deduction arises upon the issuance of restricted stock units and performance share awards or the exercise of stock options and stock appreciation rights and is principally measured at the award's intrinsic value. If the tax deduction differs from the recorded deferred tax asset, the excess tax benefit or deficit associated with the tax deduction is recognized within income tax expense.

Refer to Note 14, "[SHARE-BASED COMPENSATION](#)."

[Net \(loss\) income per share attributable to A&F](#)

Net (loss) income per basic and diluted share attributable to A&F is computed based on the weighted-average number of outstanding shares of Class A Common Stock. Additional information pertaining to net (loss) income per share attributable to A&F follows:

<i>(in thousands)</i>	Fiscal 2020	Fiscal 2019	Fiscal 2018
Shares of Common Stock issued	103,300	103,300	103,300
Weighted-average treasury shares	(40,749)	(38,872)	(35,950)
Weighted-average — basic shares	62,551	64,428	67,350
Dilutive effect of share-based compensation awards	—	1,350	1,787
Weighted-average — diluted shares	62,551	65,778	69,137
Anti-dilutive shares ⁽¹⁾	3,270	1,462	1,838

⁽¹⁾ Reflects the total number of shares related to outstanding share-based compensation awards that have been excluded from the computation of net (loss) income per diluted share because the impact would have been anti-dilutive. Unvested shares related to restricted stock units with performance-based and market-based vesting conditions can achieve up to 200% of their target vesting amount and are reflected at the maximum vesting amount less any dilutive portion.

[Recent accounting pronouncements](#)

The Company adopted Accounting Standards Update No. 2016-02, Leases (Topic 842) and its subsequent amendments effective February 3, 2019. Adoption of this standard resulted in the Company's total assets and total liabilities on the Consolidated Balance Sheet each increasing by approximately \$1.2 billion on the date of adoption, primarily due to the recognition of operating lease right-of-use assets and liabilities. Certain of these newly-established operating lease right-of-use assets related to previously impaired stores and, therefore, were assessed for impairment upon adoption. To the extent that the initial carrying amount for each such lease right-of-use asset was greater than its fair value, an asset impairment charge was recognized as an adjustment to the opening balance of retained earnings on the date of adoption. As a result, the Company recognized a cumulative adjustment decreasing the opening balance of retained earnings by \$0.1 billion on the date of adoption. The Company adopted this standard using a modified retrospective transition method and elected to not restate comparative periods.

The Company reviews recent accounting pronouncements on a quarterly basis and has excluded discussion of those not applicable to the Company and those not expected to have or that did not have a material impact on the Company's consolidated financial statements.

3. IMPACT OF COVID-19[Recent developments](#)

The Company has seen, and may continue to see, material adverse impacts as a result of COVID-19. The extent of future impacts of COVID-19 on the Company's business, including the duration and impact on overall customer demand, are uncertain as current circumstances are dynamic and depend on future developments, including, but not limited to, the duration and spread of COVID-19, the emergence of new variants of the coronavirus and the availability and acceptance of effective vaccines or medical treatments.

In January 2020, the Company began to experience business disruptions in the Asia-Pacific ("APAC") region as a result of COVID-19. In February 2020, the situation escalated as the scope of COVID-19 worsened beyond the APAC region, with the United States (the "U.S.") and the Europe, Middle East and Africa ("EMEA") region experiencing significant outbreaks. In March 2020, the COVID-19 outbreak was declared to be a global pandemic by the World Health Organization. In response to COVID-19, certain governments have imposed travel restrictions and local statutory quarantines and the Company has recommended associates who are able to perform their role remotely continue to do so. The Company is reacting to COVID-19 on a daily basis, including by conforming to local government guidance and monitoring developments in government legislation or other government actions in response to the COVID-19 outbreak. The Company has also implemented a range of precautionary health and safety measures with the well-being of the Company's customers, associates and business partners in mind.

As a result of COVID-19, in January 2020, the Company temporarily closed the majority of its stores in the APAC region and in March 2020, the Company temporarily closed its stores across brands in North America and the EMEA region. The majority of APAC stores were reopened during March 2020, and the Company began to reopen stores in North America and the EMEA

region on a rolling basis in late April 2020. As of January 30, 2021, approximately 88% of Company-operated stores were open for in-store service with temporary store closures primarily in the EMEA region. The Company plans to follow the guidance of local governments to determine when it can reopen closed stores and to evaluate whether further store closures will be necessary.

The Company's digital operations across brands have continued to serve the Company's customers during this unprecedented period of temporary store closures as the Company's distribution centers implemented enhanced cleaning and social distancing measures in order to remain operational. In response to elevated digital demand during this period, the Company has increased its omnichannel capabilities by continuing to offer Purchase-Online-Pickup-in-Store, including curbside pick-up at a majority of U.S. locations, and by utilizing ship-from-store capabilities. In addition, to prepare for the Fiscal 2020 holiday season, the Company entered into a short-term lease for an additional distribution center and partnered with incremental carriers.

Impact of COVID-19

The Company has seen, and may continue to see, material reductions in sales across brands and regions as a result of COVID-19. Total net sales decreased approximately 14% for Fiscal 2020 as compared to Fiscal 2019. The year-over-year decrease in total net sales was primarily driven by temporary widespread store closures and a decline in store traffic as compared to the previous year as a result of COVID-19. The year-over-year decline in store sales was partially offset by digital sales growth of approximately 39% for Fiscal 2020 as compared to Fiscal 2019.

During the thirteen weeks ended May 2, 2020, the Company recognized \$14.8 million of charges to reduce the carrying value of inventory, primarily as a result of COVID-19 and the temporary closure of the Company's stores, in cost of sales, exclusive of depreciation and amortization on the Consolidated Statements of Operations and Comprehensive (Loss) income. These charges represented the majority of inventory write-down charges related to COVID-19 incurred during Fiscal 2020.

During Fiscal 2020, reductions in revenue were not offset by proportional decreases in expense, as the Company continued to incur store occupancy costs such as operating lease costs, net of rent abatements agreed upon during the period, depreciation expense, and certain other costs such as compensation, net of government payroll relief, and administrative expenses resulting in a negative effect on the relationship between the Company's costs and revenues.

During Fiscal 2020, the Company suspended rent payments for a significant number of stores that were closed, and continues to engage with its landlords to find a mutually beneficial and agreeable path forward. The Company has elected to account for all qualifying lease concessions, those that are a direct consequence of COVID-19 and that result in revised lease consideration that is substantially the same or less than the original consideration, as if the enforceable rights and obligations associated with the concession existed in the original lease agreement. The Company obtained \$30.7 million of rent abatements during Fiscal 2020 and recognized \$30.1 million of benefits related to these abatements within variable lease cost during Fiscal 2020. Lease concessions granted as part of an agreement that substantially increases the total consideration as a result of the inclusion of additional terms, such as rent payments associated with a lease term extension, are treated as lease modifications. For stores where the Company suspended payments, the Company reclassified related amounts from operating lease liability to accrued expenses on the Consolidated Balance Sheets in the period during which rent was due, while continuing to recognize operating lease cost in the Consolidated Statements of Operations and Comprehensive (Loss) Income. As of January 30, 2021, the Company had \$24.2 million related to these suspended payments classified within accrued expenses on the Consolidated Balance Sheets.

On March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which among other things, provides refundable employee retention tax credits for wages paid to employees who are unable to work during the COVID-19 outbreak and the deferral of the employer-paid portion of social security taxes. Similar relief programs have also been established throughout the EMEA and APAC regions. Based on the Company's evaluation of the CARES Act and legislation across regions, the Company qualifies for certain payroll tax credits, and such government subsidies have been treated as offsets to the related operating expenses when recognized. During Fiscal 2020, the Company recognized qualified payroll tax credits and government subsidies reducing payroll expenses by approximately \$18.1 million on the Consolidated Statements of Operations and Comprehensive (Loss) Income. There are also instances where governments have provided wage subsidies through direct payments to the Company's associates. In these instances, no benefits are recognized on the Consolidated Statements of Operations and Comprehensive (Loss) Income, but the Company does see a reduction in expense incurred as compared to Fiscal 2019. The Company also intends to continue to defer qualified payroll and other tax payments as permitted by the CARES Act and other regional legislation.

The Company also recognized asset impairment charges related to the Company's right-of-use assets and property and equipment of \$72.9 million during Fiscal 2020, which were principally the result of the impact of COVID-19 on store cash flows. Refer to Note 9, "[ASSET IMPAIRMENT](#)," for additional information.

In addition, the Company has also experienced other material impacts as a result of COVID-19, such as deferred tax valuation allowances and other tax charges during Fiscal 2020, adversely impacting results by \$101.4 million. Refer to Note 12, "[INCOME TAXES](#)," for additional information.

[Balance sheet, cash flow and liquidity](#)

During Fiscal 2020, in light of COVID-19, the Company took various actions to preserve liquidity and manage cash flows in order to best position the business for key stakeholders, including (i) partnering with merchandise and non-merchandise vendors in regards to payment terms; (ii) tightly managing inventory receipts to align inventory with expected market demand; (iii) significantly reducing expenses to better align operating costs with sales; and (iv) temporarily suspending its share repurchase program in March 2020 and its dividend program in May 2020. In addition, despite the Company's recent history of partnering with its vendors regarding payment terms, certain payment term extensions were temporary and certain previously deferred payments have since been made. There can be no assurance that the Company will be able to maintain extended payment terms or continue to defer payments, which may result in incremental operating cash outflows in future periods.

In an effort to improve the Company's near-term cash position, as a precautionary measure in response to COVID-19, in March 2020, the Company borrowed \$210.0 million under its senior secured asset-based revolving credit facility (the "ABL Facility") and withdrew the majority of excess funds from the overfunded Rabbi Trust assets, providing the Company with \$50.0 million of additional cash. In July 2020, the Company completed a private offering of \$350.0 million aggregate principal amount of senior secured notes (the "Senior Secured Notes") and used the net proceeds of such offering to repay all outstanding borrowings under the Company's term loan facility (the "Term Loan Facility"), to repay a portion of the outstanding borrowings under the ABL Facility and to pay fees and expenses in connection with such repayments and the offering. Refer to Note 13, "[BORROWINGS](#)," and Note 10, "[RABBI TRUST ASSETS](#)," for additional information.

As of January 30, 2021, the Company had liquidity of \$1.3 billion as compared to \$0.9 billion as of February 1, 2020, comprised of cash and equivalents and borrowing available to the Company under the ABL Facility.

4. REVENUE RECOGNITION

[Disaggregation of revenue](#)

All revenues are recognized in net sales in the Consolidated Statements of Operations and Comprehensive (Loss) Income. For information regarding the disaggregation of revenue, refer to Note 18, "[SEGMENT REPORTING](#)."

[Contract liabilities](#)

The following table details certain contract liabilities representing unearned revenue as of January 30, 2021 and February 1, 2020:

<i>(in thousands)</i>	January 30, 2021	February 1, 2020
Gift card liability	\$ 28,561	\$ 28,844
Loyalty programs liability	\$ 20,426	\$ 23,051

The following table details recognized revenue associated with the Company's gift card program and loyalty programs for Fiscal 2020 and Fiscal 2019:

<i>(in thousands)</i>	Fiscal 2020	Fiscal 2019
Revenue associated with gift card redemptions and gift card breakage	\$ 58,400	\$ 70,164
Revenue associated with reward redemptions and breakage related to the Company's loyalty programs	\$ 37,042	\$ 35,701

Refer to Note 2, "[SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Revenue recognition](#)," for discussion regarding significant accounting policies related to the Company's revenue.

5. FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs used to measure fair value are prioritized based on a three-level hierarchy. The three levels of inputs to measure fair value are as follows:

- Level 1—inputs are unadjusted quoted prices for identical assets or liabilities that are available in active markets that the Company can access at the measurement date.
- Level 2—inputs are other than quoted market prices included within Level 1 that are observable for assets or liabilities, directly or indirectly.
- Level 3—inputs to the valuation methodology are unobservable.

The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The three levels of the hierarchy and the distribution of the Company's assets and liabilities that are measured at fair value on a recurring basis, were as follows:

<i>(in thousands)</i>	Assets and Liabilities at Fair Value as of January 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents ⁽¹⁾	\$ 296,279	\$ 11,589	\$ —	\$ 307,868
Derivative instruments ⁽²⁾	—	79	—	79
Rabbi Trust assets ⁽³⁾	1	60,789	—	60,790
Restricted cash equivalents ⁽⁴⁾	2,943	7,775	—	10,718
Total assets	\$ 299,223	\$ 80,232	\$ —	\$ 379,455

Liabilities:				
Derivative instruments ⁽²⁾	\$ —	\$ 4,694	\$ —	\$ 4,694
Total liabilities	\$ —	\$ 4,694	\$ —	\$ 4,694

<i>(in thousands)</i>	Assets and Liabilities at Fair Value as of February 1, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents ⁽¹⁾	\$ 225	\$ 58,447	\$ —	\$ 58,672
Derivative instruments ⁽²⁾	—	1,969	—	1,969
Rabbi Trust assets ⁽³⁾	1	109,048	—	109,049
Restricted cash equivalents ⁽⁴⁾	9,765	4,601	—	14,366
Total assets	\$ 9,991	\$ 174,065	\$ —	\$ 184,056

Liabilities:				
Derivative instruments ⁽²⁾	\$ —	\$ 1,460	\$ —	\$ 1,460
Total liabilities	\$ —	\$ 1,460	\$ —	\$ 1,460

⁽¹⁾ Level 1 assets consist of investments in money market funds. Level 2 assets consist of time deposits.

⁽²⁾ Level 2 assets and liabilities consist primarily of foreign currency exchange forward contracts.

⁽³⁾ Level 1 assets consist of investments in money market funds. Level 2 assets consist of trust-owned life insurance policies.

⁽⁴⁾ Level 1 assets consist of investments in U.S. treasury bills and money market funds. Level 2 assets consist of time deposits.

The Company's Level 2 assets and liabilities consist of:

- Time deposits, which are valued at cost approximating fair value due to the short-term nature of these investments;
- Trust-owned life insurance policies which are valued using the cash surrender value of the life insurance policies; and
- Derivative instruments, primarily foreign currency exchange forward contracts, which are valued using quoted market prices of the same or similar instruments, adjusted for counterparty risk.

[Fair value of borrowings](#)

The Company's borrowings under the Senior Secured Notes as of January 30, 2021 and the Term Loan Facility as of February 1, 2020 are carried at historical cost in the Consolidated Balance Sheets. The carrying amount and fair value of the Company's long-term gross borrowings were as follows:

<i>(in thousands)</i>	January 30, 2021	February 1, 2020
Gross borrowings outstanding, carrying amount	\$ 350,000	\$ 233,250
Gross borrowings outstanding, fair value	\$ 389,813	\$ 233,979

No borrowings were outstanding under the Company's ABL Facility as of January 30, 2021 or February 1, 2020. Refer to Note 13, "[BORROWINGS](#)," for further discussion of the Company's credit facilities.

6. INVENTORIES

Inventories consisted of:

<i>(in thousands)</i>	January 30, 2021	February 1, 2020
Inventories at original cost	\$ 429,993	\$ 456,335
Less: Lower of cost and net realizable value adjustment	(21,076)	(14,925)
Less: Shrink estimate	(4,864)	(7,084)
Inventories ⁽¹⁾	<u>\$ 404,053</u>	<u>\$ 434,326</u>

⁽¹⁾ Includes \$106.0 million and \$92.3 million of inventory in transit, merchandise owned by the Company that has not yet been received at a Company distribution center, as of January 30, 2021 and February 1, 2020, respectively.

A summary of the Company's vendors based on location and the percentage of dollar cost of merchandise receipts during Fiscal 2020, Fiscal 2019 and Fiscal 2018 follows:

Location	% of Total Company Merchandise Receipts ⁽¹⁾		
	Fiscal 2020	Fiscal 2019	Fiscal 2018
Vietnam	41 %	36 %	29 %
Cambodia	15 %	9 %	3 %
China ⁽²⁾	12 %	22 %	36 %
Other ⁽³⁾	32 %	33 %	32 %
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

⁽¹⁾ Calculated as the cost of merchandise receipts from all vendors within a country during the respective fiscal year divided by cost of total merchandise receipts during the respective fiscal year.

⁽²⁾ Only a portion of the Company's total merchandise sourced from China is subject to the additional U.S. tariffs on imported consumer goods that were effective beginning in Fiscal 2019. The Company estimates approximately 7%, 15% and 25% of total merchandise receipts were directly imported to the U.S. from China in Fiscal 2020, Fiscal 2019 and Fiscal 2018, respectively.

⁽³⁾ No country included within this category sourced more than 10% of total merchandise receipts during any fiscal year presented above.

Refer to Note 2, "[SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Inventories](#)," for discussion regarding significant accounting policies related to the Company's inventories.

7. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of:

<i>(in thousands)</i>	January 30, 2021	February 1, 2020
Land	\$ 28,599	\$ 28,599
Buildings	230,104	230,281
Furniture, fixtures and equipment	608,210	674,885
Information technology	607,062	609,917
Leasehold improvements	990,238	1,138,372
Construction in progress	22,744	60,913
Other	2,000	2,000
Total	2,488,957	2,744,967
Less: Accumulated depreciation	(1,938,370)	(2,079,677)
Property and equipment, net	<u>\$ 550,587</u>	<u>\$ 665,290</u>

Depreciation expense for Fiscal 2020, Fiscal 2019 and Fiscal 2018 was \$167.2 million, \$172.6 million and \$172.8 million, respectively.

Refer to Note 9, "[ASSET IMPAIRMENT](#)," for details related to property and equipment impairment charges incurred during Fiscal 2020, Fiscal 2019 and Fiscal 2018.

Refer to Note 2, "[SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Property and equipment, net](#)," for discussion regarding significant accounting policies related to the Company's property and equipment, net.

8. LEASES

The Company has leases related to its Company-operated retail stores as well as for certain of its distribution centers, office space, information technology and equipment.

During Fiscal 2020, the Company suspended rent payments for a significant number of stores that were closed as a result of COVID-19. In addition, the Company has been successful in obtaining certain rent abatements and landlord concessions of rent payable during Fiscal 2020 as a result of COVID-19 store closures. The Company continues to engage with its landlords to find a mutually beneficial and agreeable path forward. Refer to Note 3, "[IMPACT OF COVID-19](#)", for additional details related to these items.

In addition, during Fiscal 2020, the Company entered into a sublease agreement with a third party for the remaining lease term of one of its European Abercrombie & Fitch flagship store locations upon its closure. As of January 30, 2021, the Company's subleased property had a remaining lease term of 6.8 years with the sublease term from February 1, 2021 through November 30, 2027. The sublease arrangement provides for rent and occupancy-related costs such as taxes, utilities and maintenance costs. Initial sublease terms provide for rent escalations based on the index under the lease, which were estimated upon initial measurement of the operating lease right-of-use asset and liability. The sublease agreement does not include residual value guarantees. Consistent with the Company's real estate leases, the sublease contains usage restrictions, but does not contain financial covenants and restrictions. Future minimum tenant operating lease payments remaining under this sublease as of January 30, 2021 were \$30.3 million.

The following table provides a summary of the Company's operating lease costs for Fiscal 2020 and Fiscal 2019:

<i>(in thousands)</i>	Fiscal 2020	Fiscal 2019
Single lease cost ⁽¹⁾	\$ 346,178	\$ 427,982
Variable lease cost ⁽²⁾	65,310	143,472
Operating lease right-of-use asset impairment ⁽³⁾	57,026	15,812
Total operating lease cost	<u>\$ 468,514</u>	<u>\$ 587,266</u>

⁽¹⁾ Includes amortization and interest expense associated with operating lease right-of-use assets and the impact from remeasurement of operating lease liabilities.

⁽²⁾ Includes variable payments related to both lease and nonlease components, such as contingent rent payments made by the Company based on performance, and payments related to taxes, insurance, and maintenance costs, as well as \$30.1 million of rent abatements in Fiscal 2020 related to the effects of the COVID-19 pandemic that resulted in lease concessions with total payments required by the modified contract being substantially the same as or less than total payments required by the original contract.

⁽³⁾ Refer to Note 9, "[ASSET IMPAIRMENT](#)," for details related to operating lease right-of-use asset impairment charges.

As reported under the previous accounting standard, the following table provides a summary of rent expense for Fiscal 2018:

<i>(in thousands)</i>	Fiscal 2018
Store rent expense:	
Fixed minimum ⁽¹⁾	\$ 365,229
Contingent	18,189
Deferred lease credits amortization	(21,320)
Total store rent expense	<u>362,098</u>
Buildings, equipment and other	8,800
Total rent expense	<u>\$ 370,898</u>

⁽¹⁾ Includes lease termination fees of \$4.0 million for Fiscal 2018. Under the new lease accounting standard, which the Company adopted on February 3, 2019, similar charges would be a component of operating lease cost.

The following table provides the weighted-average remaining lease term of the Company's operating leases and the weighted-average discount rate used to calculate the Company's operating lease liabilities as of January 30, 2021 and February 1, 2020:

	January 30, 2021	February 1, 2020
Weighted-average remaining lease term (years)	5.7	6.2
Weighted-average discount rate	5.6 %	5.4 %

The following table provides a maturity analysis of the Company's operating lease liabilities, based on undiscounted cash flows, as of January 30, 2021:

<i>(in thousands)</i>	January 30, 2021
Fiscal 2021	307,174
Fiscal 2022	272,868
Fiscal 2023	225,959
Fiscal 2024	162,672
Fiscal 2025	141,651
Fiscal 2026 and thereafter	300,363
Total undiscounted operating lease payments	<u>\$ 1,410,687</u>
Less: Imputed interest	(204,253)
Present value of operating lease liabilities	<u>\$ 1,206,434</u>

The Company had minimum commitments related to operating lease contracts that have not yet commenced, primarily for its Company-operated retail stores, of approximately \$4.7 million as of January 30, 2021.

9. ASSET IMPAIRMENT

The following table provides additional details related to long-lived asset impairment charges:

<i>(in thousands)</i>	Fiscal 2020	Fiscal 2019	Fiscal 2018
Operating lease right-of-use asset impairment ⁽¹⁾	\$ 57,026	\$ 15,812	\$ —
Property and equipment asset impairment	15,911	6,552	11,580
Total asset impairment	\$ 72,937	\$ 22,364	\$ 11,580

⁽¹⁾ Includes \$3.2 million of operating lease right-of-use asset impairment included in flagship store exit charges on the Consolidated Statement of Operations and Comprehensive Income for Fiscal 2019. Refer to Note 19, "[FLAGSHIP STORE EXIT \(BENEFITS\) CHARGES](#)."

Asset impairment charges for Fiscal 2020 were principally the result of the impact of COVID-19 and were related to certain of the Company's stores across brands, geographies and store formats. The impairment charges for Fiscal 2020 reduced the then carrying amount of the impaired stores' assets to their fair value of approximately \$95.0 million, including \$87.2 million related to operating lease right-of-use assets.

Asset impairment charges for Fiscal 2019 primarily related to certain of the Company's international flagship stores. The impairment charges for Fiscal 2019 reduced the then carrying amount of the impaired stores' assets to their fair value of approximately \$103.4 million, including \$99.2 million related to operating lease right-of-use assets.

Asset impairment charges for Fiscal 2018 primarily related to certain of the Company's international flagship stores. The impairment charges for Fiscal 2018 reduced the then carrying amount of the impaired stores' assets to their fair value of approximately \$2.6 million.

Refer to Note 2, "[SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Long-lived asset impairment](#)," for discussion regarding significant accounting policies related to impairment of the Company's long-lived assets.

10. RABBI TRUST ASSETS

In an effort to improve the Company's near-term cash position, as a precautionary measure in response to COVID-19, during Fiscal 2020, the Company withdrew the majority of excess funds from the overfunded Rabbi Trust assets, providing the Company with \$50.0 million of additional cash.

Investments of Rabbi Trust assets consisted of the following as of January 30, 2021 and February 1, 2020:

<i>(in thousands)</i>	January 30, 2021	February 1, 2020
Trust-owned life insurance policies (at cash surrender value)	\$ 60,789	\$ 109,048
Money market funds	1	1
Rabbi Trust assets	\$ 60,790	\$ 109,049

Realized gains resulting from the change in cash surrender value of the Rabbi Trust assets for Fiscal 2020, Fiscal 2019 and Fiscal 2018 were as follows:

<i>(in thousands)</i>	Fiscal 2020	Fiscal 2019	Fiscal 2018
Realized gains related to Rabbi Trust assets	\$ 1,740	\$ 3,172	\$ 3,084

Refer to Note 2, "[SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Rabbi Trust assets](#)," for further discussion related to the Company's Rabbi Trust assets.

11. ACCRUED EXPENSES

Accrued expenses consisted of:

<i>(in thousands)</i>	January 30, 2021	February 1, 2020
Accrued payroll and related costs ⁽¹⁾	\$ 119,978	\$ 58,588
Accrued costs related to the Company's DCs and digital operations	56,135	38,334
Other ⁽²⁾	220,252	205,292
Accrued expenses	<u>\$ 396,365</u>	<u>\$ 302,214</u>

⁽¹⁾ Accrued payroll and related costs include salaries, incentive compensation, benefits, withholdings and other payroll-related costs.

⁽²⁾ Other primarily includes the Company's gift card and loyalty programs liabilities, accrued taxes, accrued rent and expenses incurred but not yet paid primarily related to outside services associated with store and home office operations and construction in progress. Refer to Note 4, "[REVENUE RECOGNITION](#)."

12. INCOME TAXES

[Impact of valuation allowances and other tax charges during Fiscal 2020](#)

The Company's effective tax rate for Fiscal 2020 was impacted by \$101.4 million of adverse tax impacts, ultimately giving rise to income tax expense on a consolidated pre-tax loss. Further details regarding these adverse tax impacts are as follows:

- Due to the significant adverse impacts of COVID-19, the Company did not recognize income tax benefits on \$203.4 million of pre-tax losses during Fiscal 2020, resulting in an adverse tax impact of \$39.5 million.
- The Company recognized charges of \$61.9 million related to the establishment of valuation allowances and other tax charges in certain jurisdictions during Fiscal 2020, including, but not limited to, the U.S., Switzerland, Germany and Japan, principally as a result of the significant adverse impacts of COVID-19.

[Global legislation in response to COVID-19](#)

In March 2020, the CARES Act was enacted into U.S. law, intended to provide economic relief to those impacted by COVID-19 and enhance business' liquidity. The CARES Act did not have a material impact on the Company's U.S. income taxes in Fiscal 2020 and based on information currently available, the Company does not currently expect that these provisions will have a material impact on its income taxes in the future.

The Company is still assessing the applicability of other recently passed and proposed global legislation, including the potential income tax measures offered in international jurisdictions where the Company's operations have also been impacted by COVID-19.

[Swiss Tax Reform](#)

In May 2019, Switzerland voted to approve the Federal Act on Tax Reform and AHV Financing ("Swiss Tax Reform"), effective at the federal level beginning January 2020, which resulted in the abolishment of preferential tax regimes by the cantons. In addition to the abolishment of the preferential tax regimes, the cantons needed to implement new, mandatory tax provisions in their cantonal tax law which were subject to a referendum process as well. As a result of these changes and actions taken by the Company, both of which occurred in the third quarter of Fiscal 2019, the Company increased its deferred income tax assets and liabilities, which are recorded on the Consolidated Balance Sheets within other assets and other liabilities, respectively, by \$38.0 million during the third quarter of Fiscal 2019. In the fourth quarter of Fiscal 2019, the canton of Ticino formally enacted the tax reform effective January 1, 2020. As a result, the tax reform went into effect on January 1, 2020. The Company decreased its deferred income tax assets and liabilities by \$13.1 million during the fourth quarter of Fiscal 2019 for a net increase of deferred income tax assets and liabilities during Fiscal 2019 of \$24.9 million as a result of Swiss Tax Reform. In addition, the Company incurred tax benefits in Fiscal 2019 of \$2.9 million as a result of Swiss Tax Reform. Swiss Tax Reform did not have a material impact to the Consolidated Statements of Operations and Comprehensive (Loss) Income or the Company's cash flows during Fiscal 2020 or Fiscal 2019.

[Tax Cuts and Jobs Act of 2017](#)

In December 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law and made broad and significantly complex changes to the U.S. corporate income tax system. Given the significant changes resulting from and complexities associated with the Act, the estimated financial impacts related to the enactment of the Act, for Fiscal 2017 and up to one year from the enactment of the Act, were provisional and subject to further analysis, interpretation and clarification of the Act. The Company updated its interpretations and assumptions, which resulted in net benefits of \$3.5 million recognized in Fiscal 2018 during the

measurement period, primarily due to regulatory guidance issued by the U.S. Internal Revenue Service (the "IRS"). The Company completed its accounting related to the Act in the fourth quarter of Fiscal 2018.

[Components of income taxes](#)

(Loss) income before income taxes consisted of:

<i>(in thousands)</i>	Fiscal 2020	Fiscal 2019	Fiscal 2018
Domestic ⁽¹⁾	\$ (33,417)	\$ 17,590	\$ 53,858
Foreign	(15,326)	44,741	62,509
(Loss) income before income taxes	<u>\$ (48,743)</u>	<u>\$ 62,331</u>	<u>\$ 116,367</u>

⁽¹⁾ Includes intercompany charges to foreign affiliates for management fees, cost-sharing, royalties and interest and excludes a portion of foreign income that is currently includable on the U.S. federal income tax return.

Income tax expense consisted of:

<i>(in thousands)</i>	Fiscal 2020	Fiscal 2019	Fiscal 2018
Current:			
Federal	\$ 9,434	\$ (2,193)	\$ 7,460
State	3,751	1,893	3,645
Foreign	23,041	8,521	20,508
Total current	<u>\$ 36,226</u>	<u>\$ 8,221</u>	<u>\$ 31,613</u>
Deferred:			
Federal ⁽¹⁾	\$ (73,104)	\$ 29,012	\$ 5,319
State	8,828	(107)	1,183
Foreign ⁽¹⁾	88,261	(19,755)	(556)
Total deferred	<u>23,985</u>	<u>9,150</u>	<u>5,946</u>
Income tax expense	<u>\$ 60,211</u>	<u>\$ 17,371</u>	<u>\$ 37,559</u>

⁽¹⁾ As a result of COVID-19, Fiscal 2020 includes federal deferred tax benefit of \$79.0 million and foreign deferred tax expense of \$88.6 million due to the establishment of an additional valuation allowance in Switzerland. As a result of Swiss Tax Reform, Fiscal 2019 federal deferred tax expense included charges of \$24.9 million and foreign deferred tax expense included benefits of \$24.9 million.

The Company's earnings and profits from its foreign subsidiaries could be repatriated to the U.S., without incurring additional federal income tax. The Company determined that the balance of the Company's undistributed earnings and profits from its foreign subsidiaries as of February 2, 2019 are considered indefinitely reinvested outside of the U.S., and if these funds were to be repatriated to the U.S., the Company would expect to incur an insignificant amount of state income taxes and foreign withholding taxes. The Company accrues for both state income taxes and foreign withholding taxes with respect to earnings and profits earned after February 2, 2019, in such a manner that these funds could be repatriated without incurring additional tax expense.

Reconciliation between the statutory federal income tax rate and the effective tax rate is as follows:

	Fiscal 2020	Fiscal 2019	Fiscal 2018
U.S. federal corporate income tax rate	21.0 %	21.0 %	21.0 %
Net change in valuation allowances	(177.2)	8.2	0.7
Foreign taxation of non-U.S. operations ⁽¹⁾	32.7	5.5	(0.9)
Write-off of stock basis in subsidiary	—	3.2	—
Internal Revenue Code Section 162(m)	(5.5)	2.2	1.0
State income tax, net of U.S. federal income tax effect	2.6	1.9	3.6
Audit and other adjustments to prior years' accruals, net	2.6	0.8	(0.1)
Permanent items	—	0.3	0.2
Statutory tax rate and law changes due to Swiss Tax Reform	—	(4.6)	—
Credit for increasing research activities	2.6	(3.6)	(1.7)
Net income attributable to noncontrolling interests	2.2	(1.9)	(0.8)
Additional U.S. taxation of non-U.S. operations	(0.2)	(1.4)	5.1
Trust-owned life insurance policies (at cash surrender value)	0.7	(1.1)	(0.6)
Other statutory tax rate and law changes	2.3	(0.9)	(0.1)
Tax (benefit) expense recognized on share-based compensation ⁽²⁾	(7.5)	(0.9)	8.3
Credit items	0.2	(0.8)	(0.6)
Tax Cuts and Jobs Act of 2017	—	—	(3.0)
Other items, net	—	—	0.2
Total	(123.5)%	27.9 %	32.3 %

⁽¹⁾ Prior to 2019, U.S. branch operations in Canada and Puerto Rico were subject to tax at the full U.S. tax rates. As a result, income from these operations do not create reconciling items. Effective in 2019, only Puerto Rico continues to be a branch of the U.S.

⁽²⁾ Refer to Note 14, "[SHARE-BASED COMPENSATION](#)," for details on discrete income tax benefits and charges related to share-based compensation awards during Fiscal 2020, Fiscal 2019, and Fiscal 2018.

The impact of various tax items on the Company's effective tax rate were amplified on a percentage basis at lower levels of consolidated pre-tax income (loss) in absolute dollars. The effective tax rate remains dependent on jurisdictional mix. The taxation of non-U.S. operations line items in the table above excludes items related to the Company's non-U.S. operations reported separately in the appropriate corresponding line items.

For Fiscal 2020, the impact of taxation of non-U.S. operations on the Company's effective income tax rate was related to the Company's jurisdictional mix driven primarily by the Company's operations within Switzerland.

For Fiscal 2019, the impact of taxation of non-U.S. operations on the Company's effective income tax rate was primarily related to the Company's Japan subsidiary, along with the Company's NCI. For Fiscal 2019, the Company's Japan subsidiary earned pre-tax income of \$12.0 million with a jurisdictional effective tax rate of 35.1%. With respect to the NCI, the subsidiary incurred pre-tax income of \$5.6 million with no jurisdictional tax effect. The Swiss earnings are subject to U.S. tax and the effect is included in the U.S. taxation of non-U.S. operations above.

For Fiscal 2018, the impact of foreign taxation of non-U.S. operations on the Company's effective income tax rate was primarily related to the Company's Swiss subsidiary, along with the Company's NCI. For Fiscal 2018, the Company's Swiss subsidiary earned pre-tax income of \$24.9 million with a jurisdictional effective tax rate of 12.9%. With respect to the NCI, the subsidiaries incurred pre-tax income of \$4.3 million with no jurisdictional tax effect. The Swiss earnings are subject to U.S. tax and the effect is included in the U.S. taxation of non-U.S. operations above.

[Components of deferred income tax assets and deferred income tax liabilities](#)

The effect of temporary differences which gives rise to deferred income tax assets (liabilities) were as follows:

(in thousands)

	January 30, 2021	February 1, 2020
Deferred income tax assets:		
Operating lease liabilities	\$ 311,286	\$ 370,068
Intangibles, foreign step-up in basis ⁽¹⁾	81,357	77,565
Deferred compensation	16,294	19,849
Accrued expenses and reserves	32,649	13,571
Net operating losses (NOL), tax credit and other carryforwards	56,341	13,204
Rent	530	2,727
Prepaid expenses	—	1,246
Other	2,171	3,613
Valuation allowances	(174,302)	(8,916)
Total deferred income tax assets	<u>\$ 326,326</u>	<u>\$ 492,927</u>
Deferred income tax liabilities:		
Operating lease right-of-use assets	\$ (253,417)	\$ (319,005)
U.S. offset to foreign step-up in basis ⁽¹⁾	—	(77,565)
Property, equipment and intangibles	(15,328)	(17,236)
Inventory	(1,499)	(3,537)
Store supplies	(2,042)	(2,843)
U.S. offset to foreign deferred tax assets, excluding intangibles, foreign step-up in basis ⁽²⁾	(183)	(1,654)
Prepaid expenses	(387)	—
Undistributed profits of non-U.S. subsidiaries	(318)	(587)
Other	(3,499)	(488)
Total deferred income tax liabilities	<u>\$ (276,673)</u>	<u>\$ (422,915)</u>
Net deferred income tax assets ⁽²⁾	<u>\$ 49,653</u>	<u>\$ 70,012</u>

⁽¹⁾ The deferred tax asset relates to a step-up in basis associated with the intra-entity transfer of intangible assets to Switzerland which are being amortized for Swiss local tax purposes. As this subsidiary's income is also taxable in the U.S., a corresponding U.S. deferred tax liability was recognized to reflect lower resulting foreign tax credit due to the amortization of the Swiss step-up in basis. Included in the liability section is the remaining portion of deferred tax liabilities which are properly categorized in the table above. In Fiscal 2020, a full valuation allowance was established in Switzerland and the corresponding US deferred tax liability was released.

⁽²⁾ This table does not reflect deferred taxes classified within AOCL. As of January 30, 2021, AOCL included deferred tax assets of \$0.9 million. As of February 1, 2020, AOCL included an insignificant amount of deferred tax assets.

As of January 30, 2021, the Company had deferred tax assets related to foreign and state NOL and credit carryforwards of \$55.2 million and \$1.1 million, respectively, that could be utilized to reduce future years' tax liabilities. If not utilized, a portion of the foreign NOL carryforwards will begin to expire in 2024 and a portion of state NOL carryforwards will begin to expire in 2023. Some foreign NOLs have an indefinite carryforward period. As of January 30, 2021, the Company did not have any deferred tax assets related to federal NOL and credit carryforwards that could be utilized to reduce future years' tax liabilities.

As of January 30, 2021, valuation allowances of \$174.3 million have been established against deferred tax assets. All valuation allowances have been reflected through the Consolidated Statements of Operations and Comprehensive (Loss) Income. The valuation allowances will remain until there is sufficient positive evidence to release them, such as positive income within the jurisdiction. In such case, the Company will recognize an adjustment in the period in which a determination is made.

The Company continues to review the need for valuation allowances on a quarterly basis and it is reasonably possible, if business conditions improve, that there could be material adjustments over the next 12 months to the total amount of valuation allowances as circumstances may be such that sufficient evidence would exist to indicate that some or all of the deferred taxes currently subject to a valuation allowance will be utilized. The Company does not expect that sufficient evidence to release the valuation allowance is likely to exist at any time prior to the fourth quarter of Fiscal 2021, and there is no guarantee that such evidence will exist or that deferred taxes will be utilized.

[Share-based compensation](#)

Refer to Note 14, "[SHARE-BASED COMPENSATION](#)," for details on income tax benefits and charges related to share-based compensation awards during Fiscal 2020, Fiscal 2019 and Fiscal 2018.

[Other](#)

The amount of uncertain tax positions as of January 30, 2021, February 1, 2020 and February 2, 2019, which would impact the Company's effective tax rate if recognized and a reconciliation of the beginning and ending amounts of uncertain tax positions, excluding accrued interest and penalties, are as follows:

<i>(in thousands)</i>	Fiscal 2020	Fiscal 2019	Fiscal 2018
Uncertain tax positions, beginning of the year	\$ 1,794	\$ 478	\$ 1,113
Gross addition for tax positions of the current year	235	131	151
Gross addition (reduction) for tax positions of prior years	395	1,349	(3)
Reductions of tax positions of prior years for:			
Lapses of applicable statutes of limitations	(48)	(151)	(218)
Settlements during the period	(1,381)	(13)	(16)
Changes in judgment / excess reserve	—	—	(549)
Uncertain tax positions, end of year	<u>\$ 995</u>	<u>\$ 1,794</u>	<u>\$ 478</u>

The IRS is currently conducting an examination of the Company's U.S. federal income tax return for Fiscal 2020 as part of the IRS' Compliance Assurance Process program. The IRS examinations for Fiscal 2019 and prior years have been completed. State and foreign returns are generally subject to examination for a period of three to five years after the filing of the respective return. The Company typically has various state and foreign income tax returns in the process of examination, administrative appeals or litigation. The outcome of the examinations is not expected to have a material impact on the Company's financial statements. The Company believes that some of these audits and negotiations will conclude within the next 12 months and that it is reasonably possible the amount of uncertain income tax positions, including interest, may change by an immaterial amount due to settlement of audits and expiration of statutes of limitations.

The Company does not expect material adjustments to the total amount of uncertain tax positions within the next 12 months, but the outcome of tax matters is uncertain and unforeseen results can occur.

Refer to Note 2, "[SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Income taxes](#)," for discussion regarding significant accounting policies related to the Company's income taxes.

13. BORROWINGS

Details on the Company's long-term borrowings, net, as of January 30, 2021 and February 1, 2020 are as follows:

<i>(in thousands)</i>	January 30, 2021	February 1, 2020
Long-term portion of borrowings, gross at carrying amount	\$ 350,000	\$ 233,250
Unamortized fees	(6,090)	(932)
Unamortized discount	—	(355)
Long-term portion of borrowings, net	<u>\$ 343,910</u>	<u>\$ 231,963</u>

[Senior Secured Notes](#)

On July 2, 2020, Abercrombie & Fitch Management Co. ("A&F Management"), a wholly-owned indirect subsidiary of A&F, completed the private offering of the Senior Secured Notes, with \$350 million aggregate principal amount due in 2025 at an offering price of 100% of the principal amount thereof. The Senior Secured Notes were issued pursuant to an indenture, dated as of July 2, 2020, by and among A&F Management, A&F and certain of A&F's wholly-owned subsidiaries, as guarantors, and U.S. Bank National Association, as trustee, and as collateral agent.

The Senior Secured Notes will mature on July 15, 2025 and bear interest at a rate of 8.75% per annum, with semi-annual interest payments, which began in January 2021.

The Company used the net proceeds from the offering of the Senior Secured Notes to repay outstanding borrowings and accrued interest of \$233.6 million and \$110.8 million under the Term Loan Facility and the ABL Facility, respectively, with the remaining net proceeds used towards fees and expenses in connection with such repayments and the offering of the Senior Secured Notes.

The Company recorded deferred financing fees associated with the issuance of the Senior Secured Notes, which are being amortized to interest expense over the contractual term of the Senior Secured Notes.

Senior Secured Asset-based Revolving Credit Facility

The credit agreement for the ABL Facility, which was entered into on August 7, 2014 through A&F Management as the lead borrower (with A&F and certain other subsidiaries of A&F as borrowers or guarantors) and later amended on October 19, 2017, provides for a senior secured asset-based revolving credit facility of up to \$400 million.

In an effort to improve the Company's near-term cash position, as a precautionary measure in response to COVID-19, during the thirteen weeks ended May 2, 2020, the Company borrowed \$210.0 million under the ABL Facility. During the thirteen weeks ended August 1, 2020, the Company used a portion of the net proceeds from the offering of the Senior Secured Notes and cash on hand to repay all outstanding borrowings under the ABL Facility.

The Company did not have any borrowings outstanding under the ABL Facility as of January 30, 2021 or as of February 1, 2020.

The ABL Facility is subject to a borrowing base, consisting primarily of U.S. inventory, with a letter of credit sub-limit of \$50 million and an accordion feature allowing A&F to increase the revolving commitment by up to \$100 million subject to specified conditions. The ABL Facility is available for working capital, capital expenditures and other general corporate purposes.

As of January 30, 2021, the Company had availability under the ABL Facility of \$245.1 million, net of \$0.9 million in outstanding stand-by letters of credit. As the Company must maintain excess availability equal to the greater of 10% of the loan cap or \$30 million under the ABL Facility, borrowing available to the Company under the ABL Facility was \$215.1 million as of January 30, 2021.

The ABL Facility will mature on October 19, 2022.

Obligations under the Amended ABL Facility are unconditionally guaranteed by A&F and certain of A&F's subsidiaries. The ABL Facility is secured by a first-priority security interest in certain working capital of the borrowers and guarantors consisting of inventory, accounts receivable and certain other assets. The Amended ABL Facility is also secured by a second-priority security interest in certain property and assets of the borrowers and guarantors, including certain fixed assets, intellectual property, stock of subsidiaries and certain after-acquired material real property.

At the Company's option, borrowings under the ABL Facility will bear interest at either (a) an adjusted LIBO rate plus a margin of 1.25% to 1.50% per annum, or (b) an alternate base rate plus a margin of 0.25% to 0.50% per annum. As of January 30, 2021, the applicable margins with respect to LIBO rate loans and base rate loans, including swing line loans, under the ABL Facility were 1.25% and 0.25% per annum, respectively, and are subject to adjustment each fiscal quarter based on average historical availability during the preceding quarter. The Company is also required to pay a fee of 0.25% per annum on undrawn commitments under the ABL Facility. Customary agency fees and letter of credit fees are also payable in respect of the ABL Facility.

Term Loan Facility

On August 7, 2014, the Company, through its subsidiary A&F Management as the borrower (with A&F and certain of A&F's subsidiaries as guarantors), entered into a term loan agreement, which provided for a term loan facility of \$300 million.

The Company had gross borrowings outstanding under the Term Loan Facility of \$233.3 million as of February 1, 2020. During Fiscal 2020, the Company used a portion of the proceeds from the issuance of the Senior Secured Notes to repay all outstanding borrowings under the Term Loan Facility and upon repayment the Term Loan Facility was terminated effective as of July 2, 2020.

The Term Loan Facility had been scheduled to mature on August 7, 2021.

[Representations, warranties and covenants](#)

The agreements related to the Senior Secured Notes and the ABL Facility contain various representations, warranties and restrictive covenants that, among other things and subject to specified exceptions, restrict the ability of the Company and its subsidiaries to: grant or incur liens; incur, assume or guarantee additional indebtedness; sell or otherwise dispose of assets, including capital stock of subsidiaries; make investments in certain subsidiaries; pay dividends, make distributions or redeem or repurchase capital stock; change the nature of their business; and consolidate or merge with or into, or sell substantially all of the Company's or A&F Management's assets to, another entity.

The Senior Secured Notes are guaranteed on a senior secured basis, jointly and severally, by A&F and each of the existing and future wholly-owned domestic restricted subsidiaries of A&F that guarantee or will guarantee A&F Management's ABL Facility or certain future capital markets indebtedness.

The Company was in compliance with all debt covenants under the agreements related to the Senior Secured Notes and the ABL Facility as of January 30, 2021.

14. SHARE-BASED COMPENSATION

[Plans](#)

As of January 30, 2021, the Company had two primary share-based compensation plans: (i) the 2016 Directors LTIP, with 900,000 shares of the Company's Common Stock authorized for issuance, under which the Company is authorized to grant restricted stock, restricted stock units, stock appreciation rights, stock options and deferred stock awards to non-associate members of the Company's Board of Directors; and (ii) the 2016 Associates LTIP, with 9,250,000 shares of the Company's Common Stock authorized for issuance, under which the Company is authorized to grant restricted stock, restricted stock units, performance share awards, stock appreciation rights and stock options to associates of the Company. The Company also has outstanding shares from four other share-based compensation plans under which the Company granted restricted stock units, performance share awards, stock appreciation rights and stock options to associates of the Company and restricted stock units, stock options and deferred stock awards to non-associate members of the Company's Board of Directors in prior years. No new shares may be granted under these previously-authorized plans and any outstanding awards continue in effect in accordance with their respective terms.

The 2016 Directors LTIP, a stockholder-approved plan, permits the Company to annually grant awards to non-associate directors, subject to the following limits:

- *For non-associate directors:* awards with an aggregate fair market value on the date of the grant of no more than \$300,000;
- *For the non-associate director occupying the role of Non-Executive Chairman of the Board (if any):* additional awards with an aggregate fair market value on the date of grant of no more than \$500,000; and
- *For the non-associate director occupying the role of Executive Chairman of the Board (if any):* additional awards with an aggregate fair market value on the date of grant of no more than \$2,500,000.

Under the 2016 Directors LTIP, restricted stock units are subject to a minimum vesting period ending no sooner than the earlier of (i) the first anniversary of the grant date or (ii) the date of the next regularly scheduled annual meeting of stockholders held after the grant date. Any stock appreciation rights or stock options granted under this plan have the same minimum vesting period requirements as restricted stock units and, in addition, must have a term that does not exceed a period of ten years from the grant date, subject to forfeiture under the terms of the 2016 Directors LTIP.

The 2016 Associates LTIP, a stockholder-approved plan, permits the Company to annually grant one or more types of awards covering up to an aggregate for all awards of 1.0 million of underlying shares of the Company's Common Stock to any associate of the Company. Under the 2016 Associates LTIP, for restricted stock units that have performance-based vesting, performance must be measured over a period of at least one year and for restricted stock units that do not have performance-based vesting, vesting in full may not occur more quickly than in pro-rata installments over a period of three years from the date of the grant, with the first installment vesting no sooner than the first anniversary of the date of the grant. In addition, any stock options or stock appreciation rights granted under this plan must have a minimum vesting period of one year and a term that does not exceed a period of ten years from the grant date, subject to forfeiture under the terms of the 2016 Associates LTIP.

Each of the 2016 Directors LTIP and the 2016 Associates LTIP provides for accelerated vesting of awards if there is a change of control and certain other conditions specified in each plan are met.

[Financial statement impact](#)

The following table details share-based compensation expense and the related income tax benefit for Fiscal 2020, Fiscal 2019 and Fiscal 2018:

<i>(in thousands)</i>	Fiscal 2020	Fiscal 2019	Fiscal 2018
Share-based compensation expense	\$ 18,682	\$ 14,007	\$ 21,755
Income tax benefit associated with share-based compensation expense recognized during the period ⁽¹⁾	\$ —	\$ 2,649	\$ 4,562

⁽¹⁾ No income tax benefit was recognized during Fiscal 2020 due to the establishment of a valuation allowance.

The following table details discrete income tax benefits and charges related to share-based compensation awards during Fiscal 2020, Fiscal 2019 and Fiscal 2018:

<i>(in thousands)</i>	Fiscal 2020	Fiscal 2019	Fiscal 2018
Income tax discrete (charges) benefits realized for tax deductions related to the issuance of shares during the period	\$ (1,719)	\$ 1,156	\$ 1,270
Income tax discrete (charges) benefits realized upon cancellation of stock appreciation rights during the period	(1,943)	(611)	(10,908)
Total income tax discrete benefits (charges) related to share-based compensation awards	<u>\$ (3,662)</u>	<u>\$ 545</u>	<u>\$ (9,638)</u>

The following table details the amount of employee tax withheld by the Company upon the issuance of shares associated with restricted stock units vesting and the exercise of stock appreciation rights for the Fiscal 2020, Fiscal 2019 and Fiscal 2018:

<i>(in thousands)</i>	Fiscal 2020	Fiscal 2019	Fiscal 2018
Employee tax withheld upon issuance of shares ⁽¹⁾	\$ 5,694	\$ 6,804	\$ 6,937

⁽¹⁾ Classified within other financing activities on the Consolidated Statements of Cash Flows.

[Restricted stock units](#)

The following table summarizes activity for restricted stock units for Fiscal 2020:

	Service-based Restricted Stock Units		Performance-based Restricted Stock Units		Market-based Restricted Stock Units	
	Number of Underlying Shares ⁽¹⁾	Weighted-Average Grant Date Fair Value	Number of Underlying Shares	Weighted-Average Grant Date Fair Value	Number of Underlying Shares	Weighted-Average Grant Date Fair Value
Unvested at February 1, 2020	1,676,831	\$ 18.68	747,056	\$ 15.11	421,784	\$ 23.05
Granted	2,299,339	8.63	—	—	519,905	16.24
Adjustments for performance achievement	—	—	38,381	11.37	134,122	11.79
Vested	(811,253)	17.36	(481,304)	9.63	(350,447)	11.79
Forfeited	(127,819)	13.70	(6,917)	22.80	(3,485)	35.61
Unvested at January 30, 2021 ⁽²⁾	<u>3,037,098</u>	<u>\$ 11.62</u>	<u>297,216</u>	<u>\$ 22.43</u>	<u>721,879</u>	<u>\$ 21.46</u>

⁽¹⁾ Includes 66,624 unvested restricted stock units as of January 30, 2021, subject to vesting requirements related to the achievement of certain performance metrics, such as operating income and net income, for the fiscal year immediately preceding the vesting date. Holders of these restricted stock units have the opportunity to earn back one or more installments of the award if the cumulative performance requirements are met in a subsequent year.

⁽²⁾ Unvested shares related to restricted stock units with performance-based and market-based vesting conditions are reflected at 100% of their target vesting amount in the table above. Certain unvested shares related to restricted stock units with performance-based vesting conditions can be achieved at up to 200% of their target vesting amount.

The following table details unrecognized compensation cost and the remaining weighted-average period these costs are expected to be recognized for restricted stock units as of January 30, 2021:

<i>(in thousands)</i>	Service-based Restricted Stock Units		Performance-based Restricted Stock Units		Market-based Restricted Stock Units	
Unrecognized compensation cost	\$ 24,148	\$ —	\$ —	\$ —	\$ 8,628	\$ —
Remaining weighted-average period cost is expected to be recognized (years)	1.2	0.0	0.0	0.0	1.0	1.0

Additional information pertaining to restricted stock units for Fiscal 2020, Fiscal 2019 and Fiscal 2018 follows:

(in thousands)

	Fiscal 2020	Fiscal 2019	Fiscal 2018
Service-based restricted stock units:			
Total grant date fair value of awards granted	\$ 19,843	\$ 16,175	\$ 17,167
Total grant date fair value of awards vested	\$ 14,083	\$ 13,630	\$ 17,100
Performance-based restricted stock units:			
Total grant date fair value of awards granted	\$ —	\$ 5,391	\$ 4,339
Total grant date fair value of awards vested	\$ 4,635	\$ —	\$ —
Market-based restricted stock units:			
Total grant date fair value of awards granted	\$ 8,443	\$ 4,176	\$ 4,784
Total grant date fair value of awards vested	\$ 4,132	\$ 511	\$ 137

The weighted-average assumptions used for market-based restricted stock units in the Monte Carlo simulation during Fiscal 2020, Fiscal 2019 and Fiscal 2018 were as follows:

	Fiscal 2020	Fiscal 2019	Fiscal 2018
Grant date market price	\$ 12.31	\$ 25.34	\$ 23.59
Fair value	\$ 16.24	\$ 36.24	\$ 33.69
Assumptions:			
Price volatility	67 %	57 %	54 %
Expected term (years)	2.4	2.9	2.9
Risk-free interest rate	0.2 %	2.2 %	2.4 %
Dividend yield	— %	3.2 %	3.4 %
Average volatility of peer companies	66.0 %	40.0 %	37.4 %
Average correlation coefficient of peer companies	0.4967	0.2407	0.2709

Stock appreciation rights

The following table summarizes stock appreciation rights activity for Fiscal 2020:

	Number of Underlying Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value	Weighted-Average Remaining Contractual Life (years)
Outstanding at February 1, 2020	796,725	\$ 40.06		
Granted	—	—		
Exercised	—	—		
Forfeited or expired	(411,968)	46.63		
Outstanding at January 30, 2021	384,757	\$ 33.04	\$ 177,195	3.2
Stock appreciation rights exercisable at January 30, 2021	384,757	\$ 33.04	\$ 177,195	3.2
Stock appreciation rights expected to become exercisable in the future as of January 30, 2021	—	\$ —	\$ —	0.0

No stock appreciation rights were exercised during Fiscal 2020. Additional information pertaining to stock appreciation rights for Fiscal 2019 and Fiscal 2018 follows:

<i>(in thousands)</i>	Fiscal 2019	Fiscal 2018
Total grant date fair value of awards exercised	\$ 626	\$ 1,366

Refer to Note 2, "[SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Share-based compensation](#)," for discussion regarding significant accounting policies related to share-based compensation.

15. DERIVATIVE INSTRUMENTS

As of January 30, 2021, the Company had outstanding the following foreign currency exchange forward contracts that were entered into to hedge either a portion, or all, of forecasted foreign-currency-denominated intercompany inventory transactions, the resulting settlement of the foreign-currency-denominated intercompany accounts receivable, or both:

<i>(in thousands)</i>	Notional Amount ⁽¹⁾
Euro	\$ 92,220
British pound	\$ 29,603
Canadian dollar	\$ 11,239

⁽¹⁾ Amounts reported are the U.S. Dollar notional amounts outstanding as of January 30, 2021.

The fair value of derivative instruments is valued using quoted market prices of the same or similar instruments, adjusted for counterparty risk. The location and amounts of derivative fair values of foreign currency exchange forward contracts on the Consolidated Balance Sheets as of January 30, 2021 and February 1, 2020 were as follows:

<i>(in thousands)</i>	Location	January 30, 2021	February 1, 2020	Location	January 30, 2021	February 1, 2020
Derivatives designated as cash flow hedging instruments	Other current assets	\$ 79	\$ 1,869	Accrued expenses	\$ 4,694	\$ 1,377
Derivatives not designated as hedging instruments	Other current assets	—	100	Accrued expenses	—	83
Total		\$ 79	\$ 1,969		\$ 4,694	\$ 1,460

Refer to Note 5, "[FAIR VALUE](#)," for further discussion of the determination of the fair value of derivative instruments. Additional information pertaining to derivative gains or losses from foreign currency exchange forward contracts designated as cash flow hedging instruments for Fiscal 2020, Fiscal 2019 and Fiscal 2018 follows:

<i>(in thousands)</i>	Fiscal 2020	Fiscal 2019	Fiscal 2018
Gain recognized in AOCL ⁽¹⁾	\$ 7,619	\$ 7,495	\$ 18,700
Gain reclassified from AOCL into cost of sales, exclusive of depreciation and amortization ⁽²⁾	\$ 13,235	\$ 9,160	\$ 4,727

⁽¹⁾ Amount represents the change in fair value of derivative contracts.

⁽²⁾ Amount represents gain reclassified from AOCL to cost of sales, exclusive of depreciation and amortization, on the Consolidated Statements of Operations and Comprehensive (Loss) Income when the hedged item affects earnings, which is when merchandise is converted to cost of sales, exclusive of depreciation and amortization.

As a result of COVID-19 in Fiscal 2020, there was a significant change in the expected timing of previously hedged intercompany sales transactions, resulting in a dedesignation of the related hedge instruments. At the time of dedesignation of these hedges, they were in a net gain position of approximately \$12.6 million. Due to the extenuating circumstances leading to dedesignation, gains associated with these hedges at the time of dedesignation were deferred in AOCL until being reclassified into cost of goods sold, exclusive of depreciation and amortization when the originally forecasted transactions occurred and the hedged items affected earnings. During Fiscal 2020 and subsequent to the dedesignation of these hedges, these hedge contracts were settled.

Substantially all of the unrealized gains or losses related to foreign currency exchange forward contracts designated as cash flow hedging instruments as of January 30, 2021 will be recognized within the Consolidated Statements of Operations and Comprehensive (Loss) Income over the next twelve months.

Additional information pertaining to derivative gains or losses from foreign currency exchange forward contracts not designated as hedging instruments for Fiscal 2020, Fiscal 2019 and Fiscal 2018 follows:

<i>(in thousands)</i>	Fiscal 2020	Fiscal 2019	Fiscal 2018
Gain (loss) recognized in other operating income, net	\$ 742	\$ (298)	\$ 3,722

Refer to Note 2, "[SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Derivative instruments](#)," for discussion regarding significant accounting policies related to the Company's derivative instruments.

16. ACCUMULATED OTHER COMPREHENSIVE LOSS

For Fiscal 2020, the activity in AOCL was as follows:

<i>(in thousands)</i>	Fiscal 2020		
	Foreign Currency Translation Adjustment	Unrealized Gain (Loss) on Derivative Financial Instruments	Total
Beginning balance at February 1, 2020	\$ (109,967)	\$ 1,081	\$ (108,886)
Other comprehensive income before reclassifications	12,195	7,619	19,814
Reclassified gain from AOCL ⁽¹⁾	—	(13,235)	(13,235)
Other comprehensive income (loss) after reclassifications ⁽²⁾	12,195	(5,616)	6,579
Ending balance at January 30, 2021	\$ (97,772)	\$ (4,535)	\$ (102,307)

⁽¹⁾ Amount represents gain reclassified from AOCL to cost of sales, exclusive of depreciation and amortization, on the Consolidated Statements of Operations and Comprehensive (Loss) Income.

⁽²⁾ No income tax benefit was recognized during Fiscal 2020 due to the establishment of a valuation allowance.

For Fiscal 2019, the activity in AOCL was as follows:

<i>(in thousands)</i>	Fiscal 2019		
	Foreign Currency Translation Adjustment	Unrealized Gain (Loss) on Derivative Financial Instruments	Total
Beginning balance at February 2, 2019	\$ (104,887)	\$ 2,435	\$ (102,452)
Other comprehensive (loss) income before reclassifications	(5,080)	7,495	2,415
Reclassified gain from AOCL ⁽¹⁾	—	(9,160)	(9,160)
Tax effect	—	311	311
Other comprehensive loss after reclassifications	(5,080)	(1,354)	(6,434)
Ending balance at February 1, 2020	\$ (109,967)	\$ 1,081	\$ (108,886)

⁽¹⁾ Amount represents gain reclassified from AOCL to cost of sales, exclusive of depreciation and amortization, on the Consolidated Statements of Operations and Comprehensive (Loss) Income.

For Fiscal 2018, the activity in AOCL was as follows:

<i>(in thousands)</i>	Fiscal 2018		
	Foreign Currency Translation Adjustment	Unrealized Gain (Loss) on Derivative Financial Instruments	Total
Beginning balance at February 3, 2018	\$ (84,947)	\$ (10,107)	\$ (95,054)
Other comprehensive (loss) income before reclassifications	(19,956)	18,700	(1,256)
Reclassified gain from AOCL ⁽¹⁾	—	(4,727)	(4,727)
Tax effect	16	(1,431)	(1,415)
Other comprehensive (loss) income after reclassifications	(19,940)	12,542	(7,398)
Ending balance at February 2, 2019	\$ (104,887)	\$ 2,435	\$ (102,452)

⁽¹⁾ Amount represents gain reclassified from AOCL to cost of sales, exclusive of depreciation and amortization, on the Consolidated Statements of Operations and Comprehensive (Loss) Income.

17. SAVINGS AND RETIREMENT PLANS

The Company maintains the Abercrombie & Fitch Co. Savings and Retirement Plan, a qualified plan. All U.S. associates are eligible to participate in this plan if they are at least 21 years of age. In addition, the Company maintains the Abercrombie & Fitch Nonqualified Savings and Supplemental Retirement, comprised of two sub-plans (Plan I and Plan II). Plan I contains contributions made through December 31, 2004, while Plan II contains contributions made on and after January 1, 2005. Participation in these plans is based on service and compensation. The Company's contributions to these plans are based on a percentage of associates' eligible annual compensation. The cost of the Company's contributions to these plans was \$14.1 million, \$14.8 million and \$15.1 million for Fiscal 2020, Fiscal 2019 and Fiscal 2018, respectively.

In addition, the Company maintains the Supplemental Executive Retirement Plan which provides retirement income to its former Chief Executive Officer for life, based on averaged compensation before retirement, including base salary and cash incentive compensation. As of January 30, 2021 and February 1, 2020, the Company has recorded \$9.2 million and \$9.5 million, respectively, in other liabilities on the Consolidated Balance Sheets related to future Supplemental Executive Retirement Plan distributions.

18. SEGMENT REPORTING

The Company's two operating segments are brand-based: Hollister, which includes the Company's Hollister and Gilly Hicks brands, and Abercrombie, which includes the Company's Abercrombie & Fitch and abercrombie kids brands. Amounts shown below include net sales from wholesale, franchise and licensing operations, which are not a significant component of total revenue, and are aggregated within their respective operating segment and geographic area.

The Company's net sales by operating segment for Fiscal 2020, Fiscal 2019 and Fiscal 2018 were as follows:

<i>(in thousands)</i>	Fiscal 2020	Fiscal 2019	Fiscal 2018
Hollister	\$ 1,834,349	\$ 2,158,514	\$ 2,152,538
Abercrombie	1,291,035	1,464,559	1,437,571
Total	\$ 3,125,384	\$ 3,623,073	\$ 3,590,109

Net sales by geographic area are presented by attributing revenues to an individual country on the basis of the country in which the merchandise was sold for in-store purchases and on the basis of the shipping location provided by customers for digital orders. The Company's net sales by geographic area for Fiscal 2020, Fiscal 2019 and Fiscal 2018 were as follows:

<i>(in thousands)</i>	Fiscal 2020	Fiscal 2019	Fiscal 2018
U.S.	\$ 2,127,403	\$ 2,410,802	\$ 2,321,700
EMEA	709,451	822,202	845,889
APAC	176,636	264,895	289,911
Other	111,894	125,174	132,609
Total international	\$ 997,981	\$ 1,212,271	\$ 1,268,409
Total	\$ 3,125,384	\$ 3,623,073	\$ 3,590,109

The Company's long-lived assets and intellectual property, which primarily relates to trademark assets associated with the Company's international operations, by geographic area as of January 30, 2021 and February 1, 2020 were as follows:

<i>(in thousands)</i>	January 30, 2021	February 1, 2020
U.S.	\$ 963,555	\$ 1,211,630
EMEA	350,136	482,449
APAC	120,256	175,519
Other	33,575	50,791
Total international	\$ 503,967	\$ 708,759
Total	\$ 1,467,522	\$ 1,920,389

19. FLAGSHIP STORE EXIT (BENEFITS) CHARGES

Global Store Network Optimization

Reflecting a continued focus on one of the Company's key transformation initiatives 'Global Store Network Optimization,' the Company continues to pivot away from its large format flagship stores and strives to open smaller, more productive omnichannel focused brand experiences. As a result, the Company has closed certain of its flagship stores and may have additional closures as it executes against this strategy.

As part of this ongoing effort, the Company closed eight flagship store locations in Fiscal 2020 and four flagship store locations in Fiscal 2019. Three of the leases related to Fiscal 2020 flagship store closures were transferred through assignment while the fourth lease was subleased to a new tenant upon its closure. The Company no longer has lease obligations beyond Fiscal 2020 for the three transfers and is scheduled to receive payments to fully offset its lease obligations on the sublease. Refer to Note 8, "[LEASES](#)," for additional information on the sublease arrangement.

Future fixed lease payments associated with closed flagship stores are reflected within short-term and long-term operating lease liabilities on the Consolidated Balance Sheets. Future fixed lease payments associated with flagship stores that were closed as of January 30, 2021, excluding the subleased flagship store, are scheduled to be paid through the fiscal year ending January 30, 2029 ("Fiscal 2028") and are not expected to exceed \$15 million in aggregate in any fiscal year.

The Company recognizes impacts related to the exit of its flagship stores in flagship store exit (benefits) charges on the Consolidated Statements of Operations and Comprehensive (Loss) Income. Details of the (benefits) charges incurred during Fiscal 2020, Fiscal 2019 and Fiscal 2018 related to this initiative follow:

<i>(in thousands)</i>	Fiscal 2020	Fiscal 2019	Fiscal 2018
Operating lease cost	(6,959)	46,716	—
Gain on lease assignment	(5,237)	—	—
Lease termination fees ⁽¹⁾	—	—	3,688
Asset disposals and other store-closure costs ⁽²⁾	(2,658)	(1,687)	—
Employee severance and other employee transition costs	3,218	2,228	2,118
Total flagship store exit (benefits) charges	<u>\$ (11,636)</u>	<u>\$ 47,257</u>	<u>\$ 5,806</u>

⁽¹⁾ Under the new lease accounting standard, which the Company adopted on February 3, 2019, similar charges would be incorporated into the above table as a component of operating lease cost.

⁽²⁾ Amounts represent costs incurred in returning the store to its original condition, including updates to previous accruals for asset retirement obligations and costs to remove inventory and store assets.

As the Company continues its 'Global Store Network Optimization' efforts, it may incur future cash expenditures or incremental charges or realize benefits not currently contemplated due to events that may occur as a result of, or that are associated with, previously announced flagship store closures and flagship store closures that have not yet been finalized. At this time, the Company is not able to quantify the amount of future impacts, including any cash expenditures that may take place in future periods resulting from any potential flagship store closures given the unpredictable nature of lease exit negotiations and ultimate lease renewal decisions.

20. CONTINGENCIES

The Company is a defendant in lawsuits and other adversarial proceedings arising in the ordinary course of business. The Company's legal costs incurred in connection with the resolution of claims and lawsuits are generally expensed as incurred, and the Company establishes estimated liabilities for the outcome of litigation where losses are deemed probable and the amount of loss, or range of loss, is reasonably estimable. The Company also determines estimates of reasonably possible losses or ranges of reasonably possible losses in excess of related accrued liabilities, if any, when it has determined that a loss is reasonably possible and it is able to determine such estimates. Based on currently available information, the Company cannot estimate a range of reasonably possible losses in excess of the accrued charges for legal contingencies. In addition, the Company has not established accruals for certain claims and legal proceedings pending against the Company where it is not possible to reasonably estimate the outcome or potential liability, and the Company cannot estimate a range of reasonably possible losses for these legal matters.

Actual liabilities may differ from the amounts recorded, due to uncertainties regarding final settlement agreement negotiations, court approvals and the terms of any approval by the courts, and there can be no assurance that final resolution of legal matters

will not have a material adverse effect on the Company's financial condition, results of operations or cash flows. The Company's assessment of the current exposure could change in the event of the discovery of additional facts.

Certain legal matters

The Company was a defendant in two separate class action lawsuits filed by former associates of the Company who are represented by the same counsel. The first lawsuit, filed in 2013, alleged failure to indemnify business expenses and a series of derivative claims for compelled patronization, inaccurate wage statements, waiting time penalties, minimum wage violations and unfair competition under California state law on behalf of all non-exempt hourly associates at Abercrombie & Fitch, abercrombie kids, Hollister and Gilly Hicks stores in California. Four subclasses of associates were certified, and the matter was before a U.S. District Court in California. The second lawsuit, filed in 2015, alleged that associates were required to purchase uniforms without reimbursement in violation of federal law, and laws of the states of New York, Florida and Massachusetts, as well as derivative putative state law claims and sought to pursue such claims on a class and collective basis. On December 12, 2017, a U.S. District Court in California granted the parties' stipulation to transfer and combine the first-filed lawsuit with the second-filed lawsuit then pending before a U.S. District Court in Ohio. Both matters were mediated and the parties signed a settlement with a maximum potential payment of \$25.0 million subject to a claim process. On February 16, 2018, a U.S. District Court in Ohio granted preliminary approval of the proposed settlement and ordered that notice of the proposed settlement be given to the absent members of the settlement class. On November 7, 2018, the U.S. District Court in Ohio granted final approval of the proposed settlement, which resulted in a full and final settlement of all claims in both lawsuits on a class-wide basis for an ultimate settlement amount of approximately \$10.1 million, which was paid by the Company in the fourth quarter of Fiscal 2018, based on the actual claims made by members of the class.

In addition to the matters discussed above, the Company was a defendant in certain other class action lawsuits filed by former associates of the Company. These lawsuits, assigned to the same judge in a U.S. District Court in California, alleged non-exempt hourly associates of the Company were not properly compensated, in violation of federal and California law, for call-in practices requiring associates to engage in certain pre-shift activities in order to determine whether they should report to work and the Company's alleged failure to pay reporting time pay and all wages earned at termination. In addition, these lawsuits included derivative claims alleging inaccurate wage statements and unfair competition under California state law on behalf of non-exempt hourly associates. One of these lawsuits was mediated and the parties involved have signed a \$9.6 million settlement agreement, which was preliminarily approved by a U.S. District Court in California. On November 20, 2018, the U.S. District Court in California granted final approval of the proposed settlement, which resulted in a full and final settlement of all claims made therein for an ultimate settlement amount of \$9.6 million, which was paid by the Company in the fourth quarter of Fiscal 2018.

In Fiscal 2018, the Company recognized net charges of \$2.6 million in connection with the legal matters discussed above.

21. CORRECTION OF ERROR IN PREVIOUSLY REPORTED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Correction of error in previously reported interim financial statements

Subsequent to filing the Company's Quarterly Reports on Form 10-Q for the periods ended May 2, 2020, August 1, 2020, and October 31, 2020 (collectively, the "Fiscal 2020 Quarterly Reports on Form 10-Q"), a classification error was identified within the Company's condensed consolidated statements of cash flows related to the presentation of the withdrawal of excess funds from the over-funded Rabbi Trust assets that occurred during the fiscal quarter ended May 2, 2020. The withdrawal of \$50 million of excess funds from the Company's Rabbi Trust was incorrectly presented as a cash inflow from operating activities, rather than as a cash inflow from investing activities, in the Condensed Consolidated Statements of Cash Flows included within each of the Fiscal 2020 Quarterly Reports on Form 10-Q. Based on quantitative and qualitative assessments, the incorrect presentation of such amounts is considered material to the Condensed Consolidated Financial Statements as of and for the periods ended May 2, 2020, August 1, 2020, and October 31, 2020, which will be restated. This classification error did not have an impact on the cash balances or on the unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), the Condensed Consolidated Balance Sheets or the Condensed Consolidated Statements of Stockholders' Equity, included within each of the Fiscal 2020 Quarterly Reports on Form 10-Q.

The effects of the classification error on the Condensed Consolidated Statements of Cash Flows are shown in the tables below.

<i>(in thousands)</i>	Thirteen Weeks Ended		
	As Originally Reported	Adjustment	As Restated
	May 2, 2020		May 2, 2020
Net cash used for operating activities	\$ (90,776)	\$ (50,000)	\$ (140,776)
Net cash (used for) provided by investing activities	\$ (46,990)	\$ 50,000	\$ 3,010
Net cash provided by financing activities	\$ 171,668	—	\$ 171,668
Effect of foreign currency exchange rates on cash	\$ (3,891)	—	\$ (3,891)
Net increase in cash and equivalents, and restricted cash and equivalents	\$ 30,011	—	\$ 30,011
Cash and equivalents, and restricted cash and equivalents, beginning of period	\$ 692,264	—	\$ 692,264
Cash and equivalents, and restricted cash and equivalents, end of period	\$ 722,275	—	\$ 722,275

<i>(in thousands)</i>	Twenty-six Weeks Ended		
	As Originally Reported	Adjustment	As Restated
	August 1, 2020		August 1, 2020
Net cash provided by operating activities	\$ 96,233	\$ (50,000)	\$ 46,233
Net cash used for investing activities	\$ (75,621)	\$ 50,000	\$ (25,621)
Net cash provided by financing activities	\$ 71,329	—	\$ 71,329
Effect of foreign currency exchange rates on cash	\$ 1,785	—	\$ 1,785
Net increase in cash and equivalents, and restricted cash and equivalents	\$ 93,726	—	\$ 93,726
Cash and equivalents, and restricted cash and equivalents, beginning of period	\$ 692,264	—	\$ 692,264
Cash and equivalents, and restricted cash and equivalents, end of period	\$ 785,990	—	\$ 785,990

<i>(in thousands)</i>	Thirty-nine Weeks Ended		
	As Originally Reported	Adjustment	As Restated
	October 31, 2020		October 31, 2020
Net cash provided by operating activities	\$ 158,894	\$ (50,000)	\$ 108,894
Net cash used for investing activities	\$ (91,748)	\$ 50,000	\$ (41,748)
Net cash provided by financing activities	\$ 70,129	—	\$ 70,129
Effect of foreign currency exchange rates on cash	\$ 2,269	—	\$ 2,269
Net increase in cash and equivalents, and restricted cash and equivalents	\$ 139,544	—	\$ 139,544
Cash and equivalents, and restricted cash and equivalents, beginning of period	\$ 692,264	—	\$ 692,264
Cash and equivalents, and restricted cash and equivalents, end of period	\$ 831,808	—	\$ 831,808

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Abercrombie & Fitch Co.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Abercrombie & Fitch Co. and its subsidiaries (the "Company") as of January 30, 2021 and February 1, 2020, and the related consolidated statements of operations and comprehensive (loss) income, of stockholders' equity and of cash flows for each of the three years in the period ended January 30, 2021, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of January 30, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 30, 2021 and February 1, 2020, and the results of its operations and its cash flows for each of the three years in the period ended January 30, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of January 30, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO because a material weakness in internal control over financial reporting existed as of that date related to ineffective design and maintenance of controls by the Company to research and apply relevant accounting guidance in assessing the appropriate classification of cash flow activities associated with new transaction types.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the January 30, 2021 financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases on February 3, 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in management's report referred to above. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions

of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment of Long-Lived Assets – Stores

As described in Notes 2, 7 and 9 to the consolidated financial statements, the Company's consolidated property and equipment, net balance was \$550.6 million and consolidated operating lease right-of-use assets balance was \$894.0 million as of January 30, 2021. During fiscal 2020, the Company recognized long-lived asset store impairment charges of \$72.9 million. The Company's long-lived assets, primarily operating lease right-of-use assets, leasehold improvements, furniture, fixtures and equipment, are grouped with other assets and liabilities at the store level, which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. On at least a quarterly basis, management reviews its asset groups for indicators of impairment, which include but are not limited to, material declines in operational performance, a history of losses, an expectation of future losses, adverse market conditions, store closure or relocation decisions, and any other events or changes in circumstances that would indicate the carrying amount of an asset group might not be recoverable. If an asset group displays an indicator of impairment, it is tested for recoverability by comparing the sum of the estimated future undiscounted cash flows attributable to the asset group to the carrying amount of the asset group. This recoverability test requires management to make assumptions and judgments related, but not limited, to management's expectations for future cash flows from operating the store. The key assumptions used in developing these projected cash flows used in the recoverability test include estimates of future sales, gross profit and, to a lesser extent, operating expenses. If the sum of the estimated future undiscounted cash flows attributable to an asset group is less than its carrying amount, and it is determined that the carrying amount of the asset group is not recoverable, management determines if there is an impairment loss by comparing the carrying amount of the asset group to its fair value. Fair value of an asset group is based on the highest and best use of the asset group, often using a discounted cash flow model that utilizes Level 3 fair value inputs. The key assumptions used in estimating fair value of an asset group may include discounted estimates of future cash flows from operating the store or comparable market rents. An impairment loss is recognized based on the excess of the carrying amount of the asset group over its fair value.

The principal considerations for our determination that performing procedures relating to the impairment of long-lived assets - stores is a critical audit matter are (i) the significant judgment by management when testing long-lived asset groups for recoverability and determining the fair value of the asset groups to measure impairment; (ii) the high degree of auditor judgment, subjectivity and effort in performing procedures and in evaluating the assumptions used in management's future cash flow projections related to estimates of future sales, gross profit and comparable market rents; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's long-lived assets - stores recoverability test and determination of the fair value of the asset groups. These procedures also included, among others (i) testing management's process for developing the estimates; (ii) evaluating the appropriateness of the models used by management in developing the fair value measurements; (iii) testing the completeness, accuracy, and relevance of underlying data used in the models; and (iv) evaluating the reasonableness of the significant assumptions, related to estimates of future sales, gross profit and comparable market rents. Evaluating whether management's assumptions related to estimates of future sales, gross profit and comparable market rents were reasonable considering (i) the current and past performance of the asset groups; (ii) the consistency with external market data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the reasonableness of the Company's comparable market rents assumption.

/s/ PricewaterhouseCoopers LLP
Columbus, Ohio
March 29, 2021

We have served as the Company's auditor since 1996.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

DISCLOSURE CONTROLS AND PROCEDURES

A&F maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to provide reasonable assurance that information required to be disclosed in the reports that A&F files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to A&F's management, including A&F's Principal Executive Officer and A&F's Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Because of inherent limitations, disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of disclosure controls and procedures are met.

A&F's management, including the Chief Executive Officer of A&F (who serves as Principal Executive Officer of A&F) and the Senior Vice President and Chief Financial Officer of A&F (who serves as Principal Financial Officer and Principal Accounting Officer of A&F), evaluated the effectiveness of A&F's disclosure controls and procedures as of January 30, 2021. The Chief Executive Officer of A&F (in such individual's capacity as the Principal Executive Officer of A&F) and the Senior Vice President and Chief Financial Officer of A&F (in such individual's capacity as the Principal Financial Officer of A&F) concluded that A&F's disclosure controls and procedures were not effective as of January 30, 2021 due to the material weakness in A&F's internal control over financial reporting as described in "Management's Annual Report on Internal Control over Financial Reporting" below.

The Chief Executive Officer of A&F (in such individual's capacity as the Principal Executive Officer of A&F) and the Senior Vice President and Chief Financial Officer of A&F (in such individual's capacity as the Principal Financial Officer of A&F) previously concluded that A&F's disclosure controls and procedures were effective for the interim periods ended May 2, 2020, August 1, 2020 and October 31, 2020. However, the Chief Executive Officer and Senior Vice President and Chief Financial Officer have subsequently concluded that A&F's disclosure controls and procedures were not effective for the interim periods ended May 2, 2020, August 1, 2020 and October 31, 2020, due to the material weakness in A&F's internal control over financial reporting as described in "Management's Annual Report on Internal Control over Financial Reporting" below.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of A&F is responsible for establishing and maintaining adequate internal control over financial reporting. A&F's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

With the participation of the Chief Executive Officer of A&F and the Senior Vice President and Chief Financial Officer of A&F, management evaluated the effectiveness of A&F's internal control over financial reporting as of January 30, 2021 using criteria established in the *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

A&F did not design and maintain effective controls over the presentation and disclosure of activities in its Consolidated Statements of Cash Flows. Specifically, A&F did not design and maintain controls to research and apply relevant accounting guidance in assessing the appropriate classification of cash flow activities associated with new transaction types. This material weakness resulted in the restatement of the Condensed Consolidated Statements of Cash Flows for the interim periods ended May 2, 2020, August 1, 2020 and October 31, 2020. Refer to Note 21, "[CORRECTION OF ERROR IN PREVIOUSLY](#)

[REPORTED INTERIM FINANCIAL STATEMENTS \(UNAUDITED\)](#)” included in “ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA,” of this Annual Report on Form 10-K. Additionally, this material weakness could result in misstatements of the Consolidated Statements of Cash Flows or disclosures that would result in a material misstatement of the annual or interim consolidated financial statements that would not be prevented or detected. Based on this assessment and because of this material weakness, A&F management concluded that A&F did not maintain effective internal control over financial reporting as of January 30, 2021.

The effectiveness of A&F’s internal control over financial reporting as of January 30, 2021 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which is included in “ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA” of this Annual Report on Form 10-K.

REMIEDIATION EFFORTS

As part of A&F’s efforts to remediate the material weakness described above, new procedures have been designed to research and apply relevant accounting guidance regarding the classification of cash flow activities associated with new transaction types and to document A&F management’s conclusions with respect to such analysis. Management believes these procedures will remediate the material weakness but it will not be considered remediated until the controls related to these procedures operate for a sufficient period to allow for testing to determine the operating effectiveness of the controls.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in A&F’s internal control over financial reporting during the quarter ended January 30, 2021 that have materially affected, or are reasonably likely to materially affect, A&F’s internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

DIRECTORS, EXECUTIVE OFFICERS AND PERSONS NOMINATED OR CHOSEN TO BECOME DIRECTORS OR EXECUTIVE OFFICERS

Information concerning directors and executive officers of A&F as well as persons nominated or chosen to become directors or executive officers is incorporated by reference from the text to be included under the caption “Proposal 1 — Election of Directors” in A&F’s definitive Proxy Statement for the Annual Meeting of Stockholders to be held on June 9, 2021 and from the text under the caption “INFORMATION ABOUT OUR EXECUTIVE OFFICERS” at the end of “[ITEM 1. BUSINESS](#)” in PART I of this Annual Report on Form 10-K.

CODE OF BUSINESS CONDUCT AND ETHICS

The Board of Directors has adopted the Abercrombie & Fitch Co. Code of Business Conduct and Ethics, which is available on the “Corporate Governance” page within the “Our Company” section of the Company’s website at corporate.abercrombie.com.

AUDIT AND FINANCE COMMITTEE

Information concerning A&F’s Audit and Finance Committee, including the determination of A&F’s Board of Directors that the Audit and Finance Committee has at least one “audit committee financial expert” (as defined under applicable SEC rules) serving on the Audit and Finance Committee, is incorporated by reference from the text to be included under the captions “Corporate Governance — Committees of the Board and Meeting Attendance — Committees of the Board” and “Audit and Finance Committee Matters” in A&F’s definitive Proxy Statement for the Annual Meeting of Stockholders to be held on June 9, 2021.

PROCEDURES BY WHICH STOCKHOLDERS MAY RECOMMEND NOMINEES TO A&F’S BOARD OF DIRECTORS

Information concerning the procedures by which stockholders of A&F may recommend nominees to A&F’s Board of Directors is incorporated by reference from the text to be included under the captions “Proposal 1 — Election of Directors — Director Nominations,” “Proposal 1 — Election of Directors — Director Qualifications and Consideration of Director Candidates” and “Questions and Answers About Our Annual Meeting and Voting — How do I nominate a director using the ‘Proxy Access’ provisions under the Company’s Bylaws?” in A&F’s definitive Proxy Statement for the Annual Meeting of Stockholders to be held on June 9, 2021. The procedures by which stockholders may recommend nominees to A&F’s Board of Directors have not materially changed from those described in A&F’s definitive Proxy Statement for the Annual Meeting of Stockholders held on May 20, 2020.

Item 11. Executive Compensation

Information regarding executive compensation is incorporated by reference from the text to be included under the captions “Corporate Governance — Board Role in Risk Oversight,” “Corporate Governance — Compensation and Organization Committee Interlocks and Insider Participation,” “Compensation of Directors,” “Compensation Discussion and Analysis,” “Report of the Compensation and Organization Committee on Executive Compensation,” and “Executive Officer Compensation” in A&F’s definitive Proxy Statement for the Annual Meeting of Stockholders to be held on June 9, 2021.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information concerning the security ownership of certain beneficial owners and management is incorporated by reference from the text to be included under the caption “Ownership of Our Shares” in A&F’s definitive Proxy Statement for the Annual Meeting of Stockholders to be held on June 9, 2021.

Information regarding the number of shares of Common Stock of A&F to be issued and remaining available under equity compensation plans of A&F as of January 30, 2021 is incorporated by reference from the text to be included under the caption “Equity Compensation Plans” in A&F’s definitive Proxy Statement for the Annual Meeting of Stockholders to be held on June 9, 2021.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information concerning certain relationships and transactions involving the Company and certain related persons within the meaning of Item 404(a) of SEC Regulation S-K as well as information concerning A&F’s policies and procedures for the review, approval or ratification of transactions with related persons is incorporated by reference from the text to be included under the caption “Corporate Governance — Director Independence and Related Person Transactions” in A&F’s definitive Proxy Statement for the Annual Meeting of Stockholders to be held on June 9, 2021.

Information concerning the independence of the directors of A&F is incorporated by reference from the text to be included under the captions “Corporate Governance — Board Leadership Structure,” “Corporate Governance — Committees of the Board and Meeting Attendance,” and “Corporate Governance — Director Independence and Related Person Transactions” in A&F’s definitive Proxy Statement for the Annual Meeting of Stockholders to be held on June 9, 2021.

Item 14. Principal Accountant Fees and Services

Information concerning the pre-approval policies and procedures of A&F’s Audit and Finance Committee and the fees for services rendered by the Company’s principal independent registered public accounting firm is incorporated by reference from the text to be included under the caption “Proposal 4 — Ratification of Appointment of Independent Registered Public Accounting Firm” in A&F’s definitive Proxy Statement for the Annual Meeting of Stockholders to be held on June 9, 2021.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as a part of this Annual Report on Form 10-K:

(1) Consolidated Financial Statements:

Consolidated Statements of Operations and Comprehensive (Loss) Income for the fiscal years ended January 30, 2021, February 1, 2020 and February 2, 2019.

Consolidated Balance Sheets at January 30, 2021 and February 1, 2020.

Consolidated Statements of Stockholders' Equity for the fiscal years ended January 30, 2021, February 1, 2020 and February 2, 2019.

Consolidated Statements of Cash Flows for the fiscal years ended January 30, 2021, February 1, 2020 and February 2, 2019.

Notes to Consolidated Financial Statements.

Report of Independent Registered Public Accounting Firm — PricewaterhouseCoopers LLP.

(2) Consolidated Financial Statement Schedules:

All financial statement schedules for which provision is made in the applicable accounting regulations of the SEC are omitted because the required information is either not applicable or not material.

(3) Exhibits:

The documents listed in the Index to Exhibits that immediately precedes the Signatures page of this Annual Report on Form 10-K are filed or furnished with this Annual Report on Form 10-K as exhibits or incorporated into this Annual Report on Form 10-K by reference as noted. Each management contract or compensatory plan or arrangement is identified as such in the Index to Exhibits.

(b) The documents listed in the Index to Exhibits that immediately precedes the Signatures page of this Annual Report on Form 10-K are filed or furnished with this Annual Report on Form 10-K as exhibits or incorporated into this Annual Report on Form 10-K by reference.

(c) Financial Statement Schedules

None

Item 16. Form 10-K Summary

None.

Index to Exhibits

Exhibit	Document
3.1	Amended and Restated Certificate of Incorporation of A&F as filed with the Delaware Secretary of State on August 27, 1996, incorporated herein by reference to Exhibit 3.1 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended November 2, 1996 (File No. 001-12107).
3.2	Certificate of Designation of Series A Participating Cumulative Preferred Stock of A&F as filed with the Delaware Secretary of State on July 21, 1998, incorporated herein by reference to Exhibit 3.2 to A&F's Annual Report on Form 10-K for the fiscal year ended January 30, 1999 (File No. 001-12107).
3.3	Certificate of Decrease of Shares Designated as Class B Common Stock as filed with the Delaware Secretary of State on July 30, 1999, incorporated herein by reference to Exhibit 3.3 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 1999 (File No. 001-12107).
3.4	Certificate of Amendment of the Amended and Restated Certificate of Incorporation of A&F, as filed with the Delaware Secretary of State on June 16, 2011, incorporated herein by reference to Exhibit 3.1 to A&F's Current Report on Form 8-K dated and filed June 17, 2011 (File No. 001-12107).
3.5	Amended and Restated Certificate of Incorporation of A&F, reflecting amendments through the date of this Annual Report on Form 10-K, incorporated herein by reference to Exhibit 3.2 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended July 30, 2011 (File No. 001-12107). [This document represents the Amended and Restated Certificate of Incorporation of Abercrombie & Fitch Co. in compiled form incorporating all amendments. This compiled document has not been filed with the Delaware Secretary of State.]
3.6	Amended and Restated Bylaws of A&F (reflecting amendments through May 20, 2004), incorporated herein by reference to Exhibit 3.7 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended May 1, 2004 (File No. 001-12107).
3.7	Certificate regarding Approval of Amendment to Section 2.03 of Amended and Restated Bylaws of Abercrombie & Fitch Co. by Stockholders of Abercrombie & Fitch Co. at Annual Meeting of Stockholders held on June 10, 2009, incorporated herein by reference to Exhibit 3.1 to A&F's Current Report on Form 8-K dated and filed June 16, 2009 (File No. 001-12107).
3.8	Certificate regarding Approval of Addition of New Article IX of Amended and Restated Bylaws by Board of Directors of Abercrombie & Fitch Co. on June 10, 2009, incorporated herein by reference to Exhibit 3.2 to A&F's Current Report on Form 8-K dated and filed June 16, 2009 (File No. 001-12107).
3.9	Certificate regarding Approval of Amendments to Sections 1.09 and 2.04 of Amended and Restated Bylaws of Abercrombie & Fitch Co. by Board of Directors of Abercrombie & Fitch Co. on November 15, 2011, incorporated herein by reference to Exhibit 3.1 to A&F's Current Report on Form 8-K dated and filed November 21, 2011 (File No. 001-12107).
3.10	Certificate regarding Adoption of Amendments to Section 2.04 of Amended and Restated Bylaws of Abercrombie & Fitch Co. by Board of Directors of Abercrombie & Fitch Co. on February 23, 2018, incorporated herein by reference to Exhibit 3.1 to A&F's Current Report on Form 8-K dated and filed February 27, 2018 (File No. 001-12107).
3.11	Amended and Restated Bylaws of Abercrombie & Fitch Co. reflecting amendments through the date of this Annual Report on Form 10-K, incorporated herein by reference to Exhibit 3.10 to A&F's Annual Report on Form 10-K for the fiscal year ended February 3, 2018 (File No. 001-12107). [This document represents the Amended and Restated Bylaws of Abercrombie & Fitch Co. in compiled form incorporating all amendments.]
4.1	Agreement to furnish instruments and agreements defining rights of holders of long-term debt.
4.2	Description of Abercrombie & Fitch Co.'s Securities Registered under Section 12 of the Securities Exchange Act of 1934.
4.3	Indenture, dated as of July 2, 2020, by and among Abercrombie & Fitch Management Co., Abercrombie & Fitch Co., as Parent, the other Guarantors party thereto and U.S. Bank National Association, as Trustee, Registrar, Paying Agent, and Notes Collateral Agent, incorporated herein by reference to Exhibit 4.1 to A&F's Current Report on Form 8-K dated and filed on July 9, 2020 (File No. 001-12107).
4.4	Form of 8.75% Senior Secured Notes due 2025 (included in Exhibit 4.3), incorporated herein by reference to Exhibit 4.2 (which is in turn included in Exhibit 4.1) to A&F's Current Report on Form 8-K dated and filed on July 9, 2020 (File No. 001-12107).
4.5	Intercreditor Agreement, entered into as of July 2, 2020, among Wells Fargo Bank, National Association, in its capacity as "ABL Agent," U.S. Bank National Association, in its capacity as "First Lien Notes Collateral Agent," and each other "Additional Notes Agent" from time to time party thereto.
10.1*	1998 Restatement of the Abercrombie & Fitch Co. 1996 Stock Plan for Non-Associate Directors (reflects amendments through January 30, 2003 and the two-for-one stock split distributed June 15, 1999 to stockholders of record on May 25, 1999), incorporated herein by reference to Exhibit 10.3 to A&F's Annual Report on Form 10-K for the fiscal year ended February 1, 2003 (File No. 001-12107).
10.2*	Amended and Restated Employment Agreement, entered into effective as of August 15, 2005, by and between A&F and Michael S. Jeffries, including as Exhibit A thereto the Abercrombie & Fitch Co. Supplemental Executive Retirement Plan (Michael S. Jeffries) effective February 2, 2003, incorporated herein by reference to Exhibit 10.1 to A&F's Current Report on Form 8-K dated and filed August 26, 2005 (File No. 001-12107). [NOTE: Only the Abercrombie & Fitch Co. Supplemental Executive Retirement Plan (Michael S. Jeffries) is still in effect.]

10.3*	Abercrombie & Fitch Co. Directors' Deferred Compensation Plan (as amended and restated May 22, 2003) — as authorized by the Board of Directors of A&F on December 17, 2007, to become one of two plans following the division of said Abercrombie & Fitch Co. Directors' Deferred Compensation Plan (as amended and restated May 22, 2003) into two separate plans effective January 1, 2005 and to be named the Abercrombie & Fitch Co. Directors' Deferred Compensation Plan (Plan I) [terms to govern "amounts deferred" (within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended) in taxable years beginning before January 1, 2005 and any earnings thereon], incorporated herein by reference to Exhibit 10.7 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended May 3, 2003 (File No. 001-12107).
10.4*	Abercrombie & Fitch Nonqualified Savings and Supplemental Retirement Plan (January 1, 2001 Restatement) — as authorized by the Compensation Committee (now known as the Compensation and Organization Committee) of the A&F Board of Directors on August 14, 2008, to become one of two sub-plans following the division of said Abercrombie & Fitch Nonqualified Savings and Supplemental Retirement Plan (January 1, 2001 Restatement) into two sub-plans effective immediately before January 1, 2009 and to be named the Abercrombie & Fitch Co. Nonqualified Savings and Supplemental Retirement Plan I [terms to govern amounts "deferred" (within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended) before January 1, 2005, and any earnings thereon], incorporated herein by reference to Exhibit 10.9 to A&F's Annual Report on Form 10-K for the fiscal year ended February 1, 2003 (File No. 001-12107).
10.5*	First Amendment to the Abercrombie & Fitch Co. Nonqualified Savings and Supplemental Retirement Plan I (Plan I) (January 1, 2001 Restatement), as authorized by the Compensation Committee (now known as the Compensation and Organization Committee) of the A&F Board of Directors on August 14, 2008 and executed on behalf of A&F on September 3, 2008, incorporated herein by reference to Exhibit 10.13 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended August 2, 2008 (File No. 001-12107).
10.6*	Abercrombie & Fitch Co. Nonqualified Savings and Supplemental Retirement Plan (II), as amended and restated effective as of January 1, 2014 [governing amounts "deferred" (within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended) in taxable years beginning on or after January 1, 2005, and any earnings thereon], incorporated herein by reference to Exhibit 10.3 to A&F's Current Report on Form 8-K dated and filed October 19, 2015 (File No. 001-12107).
10.7*	Abercrombie & Fitch Co. 2005 Long-Term Incentive Plan, incorporated herein by reference to Exhibit 10.1 to A&F's Current Report on Form 8-K dated and filed June 17, 2005 (File No. 001-12107).
10.8*	Certificate regarding Approval of Amendment of Section 3(b) of the Abercrombie & Fitch Co. 2005 Long-Term Incentive Plan by Board of Directors of Abercrombie & Fitch Co. on August 20, 2014, incorporated herein by reference to Exhibit 10.11 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended July 30, 2016 (File No. 001-12107).
10.9*	Trust Agreement, made as of October 16, 2006, between A&F and Wilmington Trust Company, incorporated herein by reference to Exhibit 10.1 to A&F's Current Report on Form 8-K dated and filed October 17, 2006 (File No. 001-12107).
10.10*	Amended and Restated Abercrombie & Fitch Co. 2007 Long-Term Incentive Plan, incorporated herein by reference to Exhibit 10.1 to A&F's Current Report on Form 8-K dated and filed June 17, 2011 (File No. 001-12107).
10.11*	Certificate regarding Approval of Amendment of Section 3(b) of the Abercrombie & Fitch Co. Amended and Restated 2007 Long-Term Incentive Plan by Board of Directors of Abercrombie & Fitch Co. on August 20, 2014, incorporated herein by reference to Exhibit 10.12 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended July 30, 2016 (File No. 001-12107).
10.12*	Abercrombie & Fitch Co. Directors' Deferred Compensation Plan (Plan II) — as authorized by the Board of Directors of A&F on December 17, 2007, to become one of two plans following the division of the Abercrombie & Fitch Co. Directors' Deferred Compensation Plan (as amended and restated May 22, 2003) into two separate plans effective January 1, 2005 and to be named Abercrombie & Fitch Co. Directors' Deferred Compensation Plan (Plan II) [terms to govern "amounts deferred" (within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended) in taxable years beginning on or after January 1, 2005 and any earnings thereon], incorporated herein by reference to Exhibit 10.50 to A&F's Annual Report on Form 10-K for the fiscal year ended January 31, 2009 (File No. 001-12107).
10.13*	Form of Stock Appreciation Right Agreement used to evidence the grant of stock appreciation rights to associates (employees) of A&F and its subsidiaries under the Abercrombie & Fitch Co. 2005 Long-Term Incentive Plan on or after March 26, 2013 and prior to August 20, 2013, incorporated herein by reference to Exhibit 10.2 to A&F's Current Report on Form 8-K dated and filed April 29, 2013 (File No. 001-12107).
10.14*	Form of Stock Appreciation Right Award Agreement used for grants of awards after August 20, 2013 and prior to June 16, 2016 under the Amended and Restated Abercrombie & Fitch Co. 2007 Long-Term Incentive Plan [For associates (employees); grant of award not associated with execution of Non-Competition and Non-Solicitation Agreement], incorporated herein by reference to Exhibit 10.2 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended November 2, 2013 (File No. 001-12107).
10.15*	Form of Stock Appreciation Right Award Agreement used for grants of awards after August 20, 2013 and prior to June 16, 2016 under the Abercrombie & Fitch Co. 2005 Long-Term Incentive Plan [For associates (employees); grant of award not associated with execution of Non-Competition and Non-Solicitation Agreement], incorporated herein by reference to Exhibit 10.9 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended November 2, 2013 (File No. 001-12107).
10.16	Credit Agreement, dated as of August 7, 2014 (the "2014 ABL Credit Agreement"), among Abercrombie & Fitch Management Co., as lead borrower for the borrowers and guarantors named therein; Wells Fargo Bank, National Association, as administrative agent, collateral agent, a letter of credit issuer and swing line lender; PNC Bank, National Association, as syndication agent and a letter of credit issuer; JPMorgan Chase Bank, N.A., as documentation agent and a letter of credit issuer; Wells Fargo Bank, National Association, PNC Capital Markets LLC and J.P. Morgan Securities LLC, as joint lead arrangers and joint bookrunners; and the other lenders party thereto, incorporated herein by reference to Exhibit 10.3 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended August 2, 2014 (File No. 001-12107).†

10.17	Guaranty, dated as of August 7, 2014, made by Abercrombie & Fitch Co., as guarantor, and certain of its wholly-owned subsidiaries, each as a guarantor, in favor of Wells Fargo Bank, National Association, as administrative agent and collateral agent for its own benefit and the benefit of the other Credit Parties (as defined in the 2014 ABL Credit Agreement), Abercrombie & Fitch Co. and certain of its wholly-owned subsidiaries, in their respective capacities as a guarantor, and the other borrowers and guarantors from time to time party thereto, in favor of Wells Fargo Bank, National Association, as administrative agent and collateral agent for the Credit Parties (as defined in the 2014 ABL Credit Agreement), incorporated herein by reference to Exhibit 10.5 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended August 2, 2014 (File No. 001-12107).
10.18	Security Agreement, dated as of August 7, 2014, made by Abercrombie & Fitch Management Co., as lead borrower for itself and the other Borrowers (as defined in the 2014 ABL Credit Agreement), Abercrombie & Fitch Co. and certain of its wholly-owned subsidiaries, in their respective capacities as a guarantor, and the other borrowers and guarantors from time to time party thereto, in favor of Wells Fargo Bank, National Association, as administrative agent and collateral agent for the Credit Parties (as defined in the 2014 ABL Credit Agreement), incorporated herein by reference to Exhibit 10.7 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended August 2, 2014 (File No. 001-12107).
10.19*	Employment Offer, accepted October 9, 2014, between Fran Horowitz and A&F, incorporated herein by reference to Exhibit 10.1 to A&F's Current Report on Form 8-K dated and filed October 15, 2014 (File No. 001-12107).
10.20*	Form of Director and Officer Indemnification Agreement, incorporated herein by reference to Exhibit 10.1 to A&F's Current Report on Form 8-K dated and filed October 21, 2014 (File No. 001-12107).
10.21*	Retirement Agreement, dated December 8, 2014, between Michael S. Jeffries and A&F, incorporated herein by reference to Exhibit 10.1 to A&F's Current Report on Form 8-K dated and filed December 9, 2014 (File No. 001-12107).
10.22*	First Amendment to the Abercrombie & Fitch Co. Nonqualified Savings and Supplemental Retirement Plan (II), as approved on October 14, 2015, incorporated herein by reference to Exhibit 10.33 to A&F's Current Report on Form 8-K dated and filed October 19, 2015 (File No. 001-12107).
10.23*	Second Amendment to the Abercrombie & Fitch Co. Nonqualified Savings and Supplemental Retirement Plan (II), as approved on December 16, 2019, incorporated herein by reference to Exhibit 10.33 to A&F's Annual Report on Form 10-K for the fiscal year ended February 1, 2020 (File No. 001-12107).
10.24*	Letter, dated December 16, 2015, from Abercrombie & Fitch Management Co. to Fran Horowitz setting forth terms of employment as President and Chief Merchandising Officer, and accepted by Fran Horowitz on December 19, 2015, incorporated herein by reference to Exhibit 10.74 to A&F's Annual Report on Form 10-K for the fiscal year ended January 30, 2016 (File No. 001-12107).
10.25*	Offer Letter from Abercrombie & Fitch to Kristin Scott, executed by Ms. Scott on May 15, 2016, incorporated herein by reference to Exhibit 10.3 to A&F's Current Report on Form 8-K dated and filed May 23, 2016 (File No. 001-12107).
10.26*	Form of Restricted Stock Unit Award Agreement used to evidence the grant of restricted stock units to associates (employees) of A&F and its subsidiaries under the Abercrombie & Fitch Co. 2016 Long-Term Incentive Plan for Associates after June 16, 2016, incorporated herein by reference to Exhibit 10.6 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended July 30, 2016 (File No. 001-12107).
10.27*	Form of Restricted Stock Unit Award Agreement used to evidence the grant of restricted stock units to associates (employees) of A&F and its subsidiaries, subject to special non-competition and non-solicitation agreements, under the Abercrombie & Fitch Co. 2016 Long-Term Incentive Plan for Associates after June 16, 2016, incorporated herein by reference to Exhibit 10.7 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended July 30, 2016 (File No. 001-12107).
10.28*	Form of Performance Share Award Agreement used to evidence the grant of performance shares to associates (employees) of A&F and its subsidiaries under the Abercrombie & Fitch Co. 2016 Long-Term Incentive Plan for Associates after June 16, 2016 and prior to March 27, 2018, incorporated herein by reference to Exhibit 10.8 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended July 30, 2016 (File No. 001-12107).
10.29*	Form of Restricted Stock Unit Award Agreement used to evidence the grant of restricted stock units to non-associate directors of A&F under the Abercrombie & Fitch Co. 2016 Long-Term Incentive Plan for Directors on and after June 16, 2016, incorporated herein by reference to Exhibit 10.10 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended July 30, 2016 (File No. 001-12107).
10.30*	Form of Agreement entered into between Abercrombie & Fitch Management Co. and Fran Horowitz as of May 10, 2017, the execution date by Abercrombie & Fitch Management Co., incorporated herein by reference to Exhibit 10.1 to A&F's Current Report on Form 8-K dated and filed May 12, 2017 (File No. 001-12107).
10.31*	Form of Agreement entered into between Abercrombie & Fitch Management Co. and Kristin Scott as of May 10, 2017, the execution date by Abercrombie & Fitch Management Co., is incorporated herein by reference to Exhibit 10.2 to A&F's Current Report on Form 8-K dated and filed May 12, 2017 (File No. 001-12107).
10.32*	Form of Director and Officer Indemnification Agreement entered into by Abercrombie & Fitch Co. with directors and officers of international subsidiaries and other key individuals on or after May 11, 2017, incorporated herein by reference to Exhibit 10.3 to A&F's Quarterly Report on Form 10-Q/A for the quarterly period ended April 29, 2017 (File No. 001-12107).
10.33*	Abercrombie & Fitch Co. Short-Term Cash Incentive Compensation Performance Plan, effective from June 15, 2017 to March 20, 2021, incorporated herein by reference to Exhibit 10.1 to A&F's Current Report on Form 8-K dated and filed June 15, 2017 (File No. 001-12107).

10.34*	Abercrombie & Fitch Co. Long-Term Cash Incentive Compensation Performance Plan, incorporated herein by reference to Exhibit 10.2 to A&F's Current Report on Form 8-K dated and filed June 15, 2017 (File No. 001-12107).
10.35*	Offer Letter from Abercrombie & Fitch to Scott Lipesky, executed by Mr. Lipesky on August 29, 2017, incorporated herein by reference to Exhibit 10.1 to A&F's Current Report on Form 8-K dated and filed September 6, 2017 (File No. 001-12107).
10.36*	Agreement entered into between Abercrombie & Fitch Management Co. and Scott Lipesky, effective as of September 7, 2017, the execution date by Abercrombie & Fitch Management Co., incorporated herein by reference to Exhibit 10.2 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended October 28, 2017 (File No. 001-12107).
10.37	Second Amendment to Credit Agreement, dated as of October 19, 2017, among Abercrombie & Fitch Management Co., as lead borrower, the other borrowers and guarantors party thereto, the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent for the lenders (including, as Annex A thereto, the composite Credit Agreement dated as of August 7, 2014, as amended on September 10, 2015 and as further amended on October 19, 2017), incorporated herein by reference to Exhibit 10.3 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended October 28, 2017 (File No. 001-12107).†
10.38	Confirmation, Ratification and Amendment of Ancillary Loan Documents, made as of October 19, 2017, among Abercrombie & Management Co., for itself and as lead borrower for the other borrowers party thereto, the guarantors party thereto and Wells Fargo Bank, National Association, as administrative agent and collateral agent, incorporated herein by reference to Exhibit 10.4 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended October 28, 2017 (File No. 001-12107).†
10.39*	Abercrombie & Fitch Co. Associate Stock Purchase Plan (October 1, 2007 Restatement, reflecting amendment and restatement effective as of October 1, 2007 of Associate Stock Purchase Plan which was originally adopted effective July 1, 1998), incorporated herein by reference to Exhibit 10.6 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended October 28, 2017 (File No. 001-12107).
10.40*	Form of Performance Share Award Agreement used to evidence the grant of performance shares to associates (employees) of A&F and its subsidiaries under the Abercrombie & Fitch Co. 2016 Long-Term Incentive Plan for Associates on or after March 27, 2018 and prior to March 26, 2019, incorporated herein by reference to Exhibit 10.1 to A&F's Annual Report on Form 10-K for the fiscal year ended February 3, 2018 (File No. 001-12107).
10.41*	Form of Performance Share Award Agreement used to evidence the grant of performance shares to associates (employees) of A&F and its subsidiaries under the Abercrombie & Fitch Co. 2016 Long-Term Incentive Plan for Associates on or after March 26, 2019, and prior to August 28, 2020 incorporated herein by reference to Exhibit 10.1 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended May 4, 2019 (File No. 001-12107).
10.42*	Offer Letter from Abercrombie & Fitch to Gregory J. Henchel, executed by Mr. Henchel on September 3, 2018, incorporated herein by reference to Exhibit 10.1 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended November 3, 2018 (File No. 001-12107).
10.43*	Agreement entered into between Abercrombie & Fitch Management Co. and Gregory J. Henchel, effective as of September 13, 2018, the execution date by Abercrombie & Fitch Management Co., incorporated herein by reference to Exhibit 10.2 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended November 3, 2018 (File No. 001-12107).
10.44*	Summary of Annual Compensation Structure for Non-Associate Directors of Abercrombie & Fitch Co. for Fiscal 2019, incorporated herein by reference to Exhibit 10.2 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended May 4, 2019 (File No. 001-12107).
10.45*	Summary of terms of the Annual Restricted Stock Unit Grants made and to be made to the Non-Associate Directors of Abercrombie & Fitch Co. under the Abercrombie & Fitch Co. 2016 Long-Term Incentive Plan for Directors in Fiscal 2019, incorporated herein by reference to Exhibit 10.3 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended May 4, 2019 (File No. 001-12107).
10.46*	Agreement entered into between Abercrombie & Fitch Management Co. and John Gabrielli, effective as of May 10, 2017, the date of execution by Abercrombie & Fitch Management Co., incorporated herein by reference to Exhibit 10.3 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended August 3, 2019 (File No. 001-12107).
10.47*	Form of Restricted Stock Unit Award Agreement used to evidence the grant of restricted stock units to associates (employees) of Abercrombie & Fitch Co. and its subsidiaries under the Abercrombie & Fitch Co. 2016 Long-Term Incentive Plan for Associates on and after March 26, 2019, incorporated herein by reference to Exhibit 10.1 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended May 2, 2020 (File No. 001-12107).
10.48*	Abercrombie & Fitch Co. 2016 Long-Term Incentive Plan for Directors (as amended on May 20, 2020), incorporated herein by reference to Exhibit 10.1 to A&F's Current Report on Form 8-K dated and filed on May 21, 2020 (File No. 001-12107).
10.49*	Abercrombie & Fitch Co. 2016 Long-Term Incentive Plan for Associates (as amended on May 20, 2020), incorporated herein by reference to Exhibit 10.2 to A&F's Current Report on Form 8-K dated and filed on May 21, 2020 (File No. 001-12107).
10.50*	Summary of Compensation Structure for Non-Associate Directors of Abercrombie & Fitch Co. for Fiscal 2020, incorporated herein by reference to Exhibit 10.4 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended May 2, 2020 (File No. 001-12107).
10.51*	Summary of Terms of the Annual Restricted Stock Unit Grants made and to be made to the Non-Associate Directors of Abercrombie & Fitch Co. under the Abercrombie & Fitch Co. 2016 Long-Term Incentive Plan for Directors in Fiscal 2020, incorporated herein by reference to Exhibit 10.5 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended May 2, 2020 (File No. 001-12107).
10.52*	Separation Agreement entered into by and between Abercrombie & Fitch Management Co. and John Gabrielli, effective July 2, 2020, incorporated herein by reference to Exhibit 10.1 to A&F's Current Report on Form 8-K/A dated and filed on July 7, 2020 (File No. 001-12107).
10.53*	Form of Retention Restricted Stock Unit Award Agreement, made to be effective as of August 28, 2020, between Abercrombie & Fitch Co. and each of Scott Lipesky, Kristin Scott and Gregory J. Henchel, incorporated herein by reference to Exhibit 10.1 to A&F's Current Report on Form 8-K dated and filed on September 2, 2020 (File No. 001-12107).
10.54*	Form of Performance Share Award Agreement used to evidence the grant of performance shares to associates (employees) of Abercrombie & Fitch Co. and its subsidiaries under the Abercrombie & Fitch Co. 2016 Long-Term Incentive Plan for Associates on or after August 28, 2020, incorporated herein by reference to Exhibit 10.1 to A&F's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2020 (File No. 001-12107).
10.55*	Abercrombie & Fitch Co. Short-Term Cash Incentive Compensation Performance Plan, effective beginning March 21, 2021, incorporated herein by reference to Exhibit 10.1 to A&F's Current Report on Form 8-K dated and filed March 24, 2021 (File No. 001-12107).
10.56*	Offer Letter from Abercrombie & Fitch Co. to Holly May (including as Exhibit A thereto the Agreement entered into between Abercrombie & Fitch Management Co. and Ms. May, effective as of December 1, 2020, the execution date by Abercrombie & Fitch Management Co.), executed by Ms. May on December 1, 2020.

21.1	List of Subsidiaries of A&F.
23.1	Consent of Independent Registered Public Accounting Firm — PricewaterhouseCoopers LLP.
24.1	Powers of Attorney.
31.1	Certifications by Chief Executive Officer (Principal Executive Officer) pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certifications by Senior Vice President and Chief Financial Officer (Principal Financial Officer) pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications by Chief Executive Officer (Principal Executive Officer) and Senior Vice President and Chief Financial Officer (Principal Financial Officer) pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

* Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K pursuant to Item 15(a)(3) and Item 15(b) of Annual Report on Form 10-K.

** These certifications are furnished.

† Certain portions of this exhibit have been omitted based upon a request for confidential treatment filed with the Securities and Exchange Commission (the "SEC"). The non-public information has been separately filed with the SEC in connection with that request.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 29, 2021

ABERCROMBIE & FITCH CO.

By: /s/ Scott D. Lipesky

Scott D. Lipesky
Senior Vice President and Chief Financial Officer
(Principal Financial Officer, Principal Accounting Officer and Authorized Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 29, 2021.

* _____ Terry L. Burman	Non-Executive Chairman of the Board and Director
/s/ Fran Horowitz _____ Fran Horowitz	Chief Executive Officer and Director (Principal Executive Officer)
* _____ Kerri B. Anderson	Director
* _____ Felix J. Carbullido	Director
* _____ Susie Coulter	Director
* _____ Sarah M. Gallagher	Director
* _____ James A. Goldman	Director
* _____ Michael E. Greenlees	Director
* _____ Archie M. Griffin	Director
/s/ Scott D. Lipesky _____ Scott D. Lipesky	Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
* _____ Helen E. McCluskey	Director
* _____ Charles R. Perrin	Director
* _____ Kenneth B. Robinson	Director
* _____ Nigel Travis	Director

* The undersigned, by signing his name hereto, does hereby sign this Annual Report on Form 10-K on behalf of each of the above-named directors of the Registrant pursuant to powers of attorney executed by such directors, which powers of attorney are filed with this Annual Report on Form 10-K as Exhibit 24.1.

By: /s/ Scott D. Lipesky

Scott D. Lipesky
Attorney-in-fact

Abercrombie & Fitch Co.
6301 Fitch Path
New Albany, Ohio 43054
(614) 283-6500

March 29, 2021

United States Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Re: Abercrombie & Fitch Co.
Commission File Number: 001-12107
Annual Report on Form 10-K for the Fiscal Year Ended January 30, 2021

Ladies and Gentlemen:

Abercrombie & Fitch Co., a Delaware corporation (“A&F”), is today filing with the Securities and Exchange Commission (the “SEC”) the Annual Report on Form 10-K of A&F for the fiscal year ended January 30, 2021 (“A&F’s Fiscal 2020 Form 10-K”).

Neither (i) A&F nor (ii) any of A&F’s consolidated subsidiaries has outstanding any instrument or agreement with respect to its long-term debt, other than those filed or incorporated by reference as an exhibit to A&F’s Fiscal 2020 Form 10-K, under which the total amount of long-term debt authorized exceeds 10% of the total assets of A&F and A&F’s subsidiaries on a consolidated basis. In accordance with the provisions of Item 601(b)(4)(iii) of SEC Regulation S-K, A&F hereby agrees to furnish to the SEC, upon request, a copy of each instrument or agreement defining (i) the rights of holders of long-term debt of A&F or (ii) the rights of holders of long-term debt of a consolidated subsidiary of A&F, in each case which is not being filed or incorporated by reference as an exhibit to A&F’s Fiscal 2020 Form 10-K.

Very truly yours,

ABERCROMBIE & FITCH CO.

/s/ Scott D. Lipesky

Scott D. Lipesky
Senior Vice President and Chief Financial Officer
(Principal Financial Officer, Principal Accounting Officer and Authorized Officer)

DESCRIPTION OF ABERCROMBIE & FITCH CO.'S SECURITIES REGISTERED UNDER SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

Abercrombie & Fitch Co. ("A&F," "we," "us" or "our") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: our Class A Common Stock, \$0.01 par value (the "Class A Common Stock").

The following paragraphs provide a summary of the material attributes of the capital stock of A&F, consisting of our Class A Common Stock; our Class B Common Stock, \$0.01 par value (the "Class B Common Stock" and, together with the Class A Common Stock, the "Common Stock"); and our Preferred Stock, \$0.01 par value (the "Preferred Stock"). The following paragraphs summarize the provisions of A&F's Amended and Restated Certificate of Incorporation, as amended (the "Amended Certificate"), A&F's Amended and Restated Bylaws, as amended (the "Amended Bylaws"), and applicable provisions of the Delaware General Corporation Law (the "DGCL"), affecting the rights of the holders of our capital stock and are qualified in their entirety by reference to the Amended Certificate and the Amended Bylaws, copies of which have been filed with the Securities and Exchange Commission (the "SEC"), and such provisions of the DGCL.

General

The authorized capital stock of A&F consists of (a) 256,400,000 shares of Common Stock of which (i) 150,000,000 shares are designated as Class A Common Stock and (ii) 106,400,000 shares are designated as Class B Common Stock; and (b) 15,000,000 shares of Preferred Stock of which 100,000 shares are designated as Series A Participating Cumulative Preferred Stock (the "Series A Preferred Stock").

The outstanding shares of our Class A Common Stock are listed on the New York Stock Exchange under the symbol "ANF." The outstanding shares of our Class A Common Stock are fully paid and non-assessable.

Common Stock

Voting Rights

General. Holders of Class A Common Stock are entitled to one vote per share on all matters to be voted upon by the A&F stockholders. Holders of Class A Common Stock are not entitled to cumulate their votes in the election of directors. The A&F stockholders may only take action at an annual or special meeting of the stockholders. In any election of directors for which (i) the secretary of A&F receives a notice that a stockholder has nominated a person for election to the A&F Board of Directors in compliance with the applicable advance notice requirements set forth in the Amended Bylaws and (ii) such nomination has not been withdrawn by such stockholder within the time period prescribed by the Amended Bylaws (a "contested election"), the nominees receiving the greatest number of votes will be elected as directors of A&F. At any election of directors other than a contested election, nominees will be elected to the A&F Board of Directors by a majority of the votes cast for such nominee's election. Subject to any special voting rights or requirements provided for in the Amended Certificate, in the Amended Bylaws or by law, other matters to be voted upon by A&F stockholders must be approved by a majority in voting interest of the A&F stockholders present in person or by proxy and voting thereon. If Class B Common Stock is issued in the future, the holders thereof would be entitled to three votes per share on all matters to be voted upon by the A&F stockholders but would otherwise have identical rights to those of the holders of Class A Common Stock. The Class A Common Stock and the Class B Common Stock would vote as a single class, subject to any voting rights granted to holders of Preferred Stock.

Supermajority Voting Rights. The Amended Certificate requires the affirmative vote of the holders of not less than 75% of the outstanding shares of A&F entitled to vote thereon in order to adopt amendments to the provisions of the Amended Certificate addressing (a) the manner in which the Amended Bylaws may be amended by the directors or the stockholders; (b) the term of office for our directors; (c) the requirement that actions be taken by the stockholders only at a meeting; (d) the factors to be considered by the directors in evaluating significant corporate transactions; (e) the manner in which our directors may be removed; (f) the required vote for amendment of the Amended Certificate; and (g) the vote required for approval of business combinations with 5% stockholders (which vote must also include the affirmative vote of the holders of not less than 75% of the outstanding shares entitled to vote thereon excluding the 5% stockholder(s) in question). Other amendments to the Amended Certificate must be approved in the manner prescribed by the Delaware General Corporation Law (the "DGCL"). If a proposed amendment to the Amended Certificate would adversely affect the powers, preferences or special rights of the shares of Class A Common Stock or Class B Common Stock, the affirmative vote of not less than 75% of the outstanding shares affected by the proposed amendment, voting as a separate class, would also be required.

The Amended Certificate also requires the affirmative vote of not less than 75% of the outstanding shares entitled to vote thereon in order for the Amended Bylaws to be amended, altered, repealed or rescinded by the A&F stockholders or any proposed amendment to the Amended Certificate which would contravene any then existing provision of the Amended Bylaws to be adopted by the A&F stockholders.

Article ELEVENTH of the Amended Certificate (the "Supermajority Voting Provisions") requires that any Business Combinations (as defined below) between A&F, or one of its subsidiaries, and an Interested Person (as defined below) receive the affirmative vote of not less than 75% of the then outstanding shares of Voting Stock (as defined below) held by stockholders other than the Interested Person, unless the proposed Business Combination has been approved by a majority of the Continuing Directors (as defined below). Such Continuing Director approval may be given either before or after the Interested Person in question achieves that status and if given, the Business Combination will require only the affirmative vote by the A&F stockholders, if any, required by law or otherwise. For purposes of the Supermajority Voting Provisions:

- an "Interested Person" generally is defined as any person which, together with its affiliates and associates, "beneficially owns" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934 as in effect on August 27, 1996) in the aggregate 5% or more of the outstanding Voting Stock of A&F, as well as any affiliate or associate of that person;
- a "Business Combination" includes: (a) a merger or consolidation involving A&F, or any subsidiary thereof, and an Interested Person; (b) a sale, lease, exchange, transfer or other disposition of (i) a "substantial part" of the assets of A&F or any subsidiary thereof (*i.e.*, assets constituting in excess of 20% of the fair market value of the total consolidated assets of A&F and its subsidiaries as of the end of the then most recent fiscal year) to an Interested Person or (ii) a substantial part of the assets of an Interested Person to A&F, or any subsidiary thereof; (c) the issuance or transfer by A&F, or any subsidiary thereof, of any securities of A&F, or any subsidiary thereof, to an Interested Person; and (d) a reclassification of securities, recapitalization or other comparable transaction involving A&F that would have the effect of increasing the voting power of any Interested Person with respect to the Voting Stock of A&F;
- "Voting Stock" includes the outstanding shares of Common Stock and any outstanding shares of Preferred Stock entitled to vote on each matter as to which holders of Common Stock are entitled to vote; and
- a "Continuing Director" is an individual serving as a member of the A&F Board of Directors immediately prior to the time the Interested Person in question acquires that status, or an individual who was elected or appointed to fill a vacancy after such time by a majority of the then-current Continuing Directors.

Quorum for Meetings of Stockholders. The holders of at least one-third of the voting power of A&F must be present in person or by proxy in order to constitute a quorum at a meeting of the A&F stockholders called by the A&F Board of Directors. Otherwise, the holders of a majority of the voting power of A&F must be present in person or by proxy in order to constitute a quorum.

Dividends

Subject to the rights of the holders of Preferred Stock, the holders of Common Stock are entitled to receive dividends when and as declared by the A&F Board of Directors out of the assets of A&F legally available therefor. A Delaware corporation, such as A&F, may generally pay dividends out of its surplus or if there is no surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

Other Rights

On liquidation, dissolution or winding up of the affairs of A&F, after payment in full of the amounts required to be paid to the holders of Preferred Stock, all holders of Common Stock, regardless of class, are entitled to share ratably in any assets and funds legally available for distribution to the holders of Common Stock.

No shares of either class of Common Stock are subject to redemption or have preemptive rights to purchase additional shares of Common Stock.

Under the DGCL, A&F may generally repurchase shares of Common Stock out of surplus. However, any such repurchase would be subject to the rights of the holders of any outstanding Preferred Stock and any restrictions in A&F's financing agreements.

Preferred Stock

Preferred Stock is issuable from time to time in one or more series with such designations, rights, privileges, restrictions and conditions as the A&F Board of Directors may fix and determine. Under the Amended Certificate, the A&F Board of Directors is authorized to determine the voting, dividend, conversion, redemption and liquidation rights, preferences and limitations applicable to each series of Preferred Stock.

Rights of Holders of Series A Preferred Stock

Pursuant to the authority conferred upon the A&F Board of Directors under the Amended Certificate, the A&F Board of Directors on July 16, 1998 created the Series A Preferred Stock as evidenced by the Certificate of Designation of Series A Participating Cumulative Preferred Stock of A&F, dated July 21, 1998, a copy of which has been filed with the SEC (the "Certificate of Designation"). The A&F Board of Directors may, without further action by the A&F stockholders, issue up to 100,000 shares of Series A Preferred Stock for such consideration and on such terms and conditions as may be determined by the A&F Board of Directors. The number of shares designated as Series A Preferred Stock may be increased or decreased by resolution of the A&F Board of Directors but may not be decreased to a number less than the number of shares then outstanding plus the number of shares issuable upon exercise or conversion of all outstanding rights, options or other A&F securities.

Voting Rights. In addition to any other voting rights required by the DGCL, the holders of any Series A Preferred Stock would be entitled to 1,000 votes per share on all matters to be voted upon by the A&F stockholders, subject to anti-dilution adjustments in the event of future changes in A&F's capitalization. The holders of Series A Preferred Stock would vote as a single class with the holders of Common Stock on the matters to be voted upon by the A&F stockholders, except as provided in the Certificate of Designation or by law. The Certificate of Designation provides that holders of Series A Preferred Stock would have the right to elect two directors if dividends thereon were in arrears in an amount equal to six quarterly dividends. In addition, the Amended Certificate may not be amended in any manner which would adversely affect the powers, preferences or special rights of the Series A Preferred Stock without the affirmative vote of the holders of a majority of the outstanding shares of Series A Preferred Stock, voting separately as a class.

Dividend Rights. The holders of any Series A Preferred Stock would be entitled to receive, when, as and if declared by the A&F Board of Directors out of funds legally available for the payment of dividends, quarterly dividends payable in cash on the third Monday of February, May, August and November of each year (each date being a "Quarterly Dividend Payment Date") commencing on the first Quarterly Dividend Payment Date after the first issuance of any share of Series A Preferred Stock. The quarterly dividends would be in an amount per share equal to the greater of: (a) \$1.00; and (b) subject to anti-dilution adjustments in the event of future changes in A&F's capitalization, the sum of (i) 1,000 times the aggregate per share amount of all cash dividends; and (ii) 1,000 times the aggregate per share amount of all non-cash dividends (other than dividends payable in Class A Common Stock or subdivisions of the outstanding Common Stock) declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date (or the date of issuance of the Series A Preferred Stock in the case of the first Quarterly Dividend Payment Date). Dividends on the Series A Preferred Stock would be cumulative. If dividends payable to holders of Series A Preferred Stock were in arrears, A&F would not be able to declare or pay dividends on the Common Stock, or repurchase any of the Common Stock.

Liquidation Rights. On liquidation, dissolution or winding up of A&F, before any distribution would be made to holders of Common Stock, the holders of any outstanding of any outstanding Series A Preferred Stock would be entitled to receive an amount per share equal to the greater of: (a) \$1.00 per share, plus an amount equal to all accrued and unpaid dividends to the date of payment; and (b) 1,000 times the aggregate amount to be distributed per share to holders of Common Stock, subject to anti-dilution adjustments in the event of future changes in A&F's capitalization.

Redemption. Any outstanding Series A Preferred Stock would not be redeemable.

Other Rights. If A&F were to enter into any consolidation, merger, combination or other transaction in which shares of Common Stock are exchanged for or changed into other stock or securities, cash or any other property, outstanding shares of Series A Preferred Stock would, at the same time, be similarly exchanged for or changed into an amount per share, subject to anti-dilution adjustments in the event of future changes in A&F's capitalization, equal to 1,000 times the aggregate amount of the stock, securities, cash or any other property, as the case may be, into which or for which each share of Common Stock had been changed or exchanged.

Other Provisions Affecting Capital Stock

Director Nomination Procedures; Number of Directors

The Amended Certificate provides for the annual election of directors. Under the Amended Bylaws, the number of directors on the A&F Board of Directors (exclusive of directors to be elected by the holders of any one or more series of Preferred Stock voting separately as a class or classes) may not be less than four nor more than thirteen, the exact number to be determined by the affirmative vote of a majority of the whole authorized number of directors. The Amended Bylaws require that a stockholder nomination for election to the A&F Board of Directors at an annual meeting of stockholders or a special meeting of stockholders called for such purpose be made in writing and delivered in person or mailed by United States certified mail to the secretary of A&F and received at A&F's principal executive offices, (a) in the case of an annual meeting of stockholders, not less than 120 nor more than 150 days before the anniversary date of the immediately preceding annual meeting of stockholders; except that, in the event that the date of the annual meeting is not within 25 days before or after the anniversary date of the immediately preceding annual meeting of stockholders, notice by the stockholder must be received at A&F's principal executive offices no later than the close of business on the tenth day following the date on which notice of the date of the annual meeting was mailed or publicly disclosed, whichever occurs first or, (b) in the case of a special meeting of stockholders, not later than the close of business on the tenth day following the day on which notice of the date of the special meeting was mailed or publicly disclosed, whichever occurs first.

Each stockholder nomination must contain the following information, among other things: (a) the name and address of the nominating stockholder and the name and principal place of business of the beneficial owner, if any, on whose behalf the nomination is being made (the "beneficial owner"); (b) the name, age, business address and, if known, residence address of the nominee; (c) the principal occupation or employment of the nominee; (d) the class and number of shares of capital stock of A&F owned beneficially or of record by each of the nominating stockholder, the beneficial owner and the nominee; (e) the name of any holder of shares of capital stock of A&F owned beneficially but not of record by each of the nominating stockholder, the beneficial owner and the nominee, and the number of shares so held; (f) any transaction entered into by or on behalf of the nominating stockholder, the beneficial owner or the nominee with respect to any capital stock of A&F; (g) any transaction, agreement, arrangement or understanding made by or on behalf of the nominating stockholder, the beneficial owner or the nominee with the effect or intent of mitigating loss to, or managing the risk or benefit of stock price changes for, such person or increasing or decreasing the voting power or pecuniary or economic interest of such person with respect to any capital stock of A&F; (h) any other information concerning the nominating stockholder, the beneficial owner or the nominee that would be required to be disclosed in proxy solicitations for elections of directors under the SEC's rules; and (i) a description of all agreements, arrangements or understandings between the nominating stockholder or the beneficial owner and the nominee or any other person providing for the nomination or any material interest of the nominating stockholder or the beneficial owner in such nomination. Each nomination must be accompanied by the written consent of the nominee to be named in the proxy statement and to serve if elected and to the public disclosure of the information provided to A&F.

Under the Amended Bylaws, any stockholder who has, or any group of up to 20 stockholders who, collectively and individually, have, maintained continuous qualifying ownership of at least 3% of the outstanding shares of Common Stock for at least the previous three years will be permitted to include a specified number of director nominees in A&F's proxy materials for an annual meeting of A&F stockholders. If A&F's market capitalization (calculated in the manner provided in the Amended Bylaws) is at least \$2.5 billion, the maximum number of stockholders that may form a group constituting an eligible stockholder will be increased from 20 to 25 stockholders. Subject to the limitations set forth in the Amended Bylaws, the maximum number of candidates nominated by all eligible stockholders that A&F will be required to include in its proxy

materials for an annual meeting of stockholders is 25% of the number of directors in office as of the last day on which a notice of nomination may be delivered to A&F under the advance notice provisions in the Amended Bylaws applicable to shareholder nomination (or, if such calculation does not result in a whole number, the closest whole number below 25%).

If the number of stockholder-nominated candidates exceeds the nominee limit, each nominating stockholder will select one proposed nominee for inclusion in A&F's proxy materials, beginning with the nominating stockholder with the largest qualifying ownership and proceeding through the list of nominating stockholders in descending order of qualifying ownership, until the nominee limit is reached.

In addition to the information required by the advance notice provisions of the Amended Bylaws, a nominating stockholder seeking to include a director nominee in A&F's proxy materials for an annual meeting of stockholders will be required to provide certain information to A&F, including:

- verification of, and information regarding, the nominating stockholder's ownership of shares of Common Stock as of the date of the submission of the nomination and continuous qualifying ownership through the record date for the annual meeting of stockholders;
- a copy of the nominating stockholder's notice on Schedule 14N that has been filed with the SEC; and
- the written consent of the nominating stockholder to the public disclosure of the information provided to A&F.

Each nominating stockholder seeking to include a director nominee in A&F's proxy materials for an annual meeting of stockholders will be required to make certain representations to and agreements with A&F, including:

- lack of intent to change or influence control of A&F;
- intent to maintain qualifying ownership through the date of the annual meeting of stockholders;
- intent to maintain qualifying ownership for at least one additional year after the date of the annual meeting of stockholders;
- refraining from nominating any person for election to the A&F Board of Directors other than the stockholder's nominee(s) submitted through the proxy access process;
- intent to be present in person or by proxy to submit the stockholder's nomination at the annual meeting of stockholders;
- engaging and/or participating only in the solicitation of the nominees of the stockholder or of the A&F Board of Directors;
- not distributing any form of proxy for the annual meeting of stockholders other than the form distributed by A&F;
- complying with solicitation rules and assuming liabilities related to and indemnifying A&F against losses arising out of the nomination;
- the accuracy and completeness of all facts, statements and other information provided to A&F; and
- recalling any outstanding shares of Common Stock that have been loaned by or on behalf of the stockholder to another person that are to be counted for purposes of determining the stockholder's qualifying ownership and eligibility to nominate directors, upon being notified that any of the stockholder's nominees will be included in A&F's proxy materials for the applicable annual meeting of stockholders.

Each stockholder nominee will also be required to make certain representations to and agreements with A&F, including:

- not becoming a party to any voting agreements or commitments to act or vote as a director on any issue or question that has not been disclosed to A&F;

- not becoming a party to any compensatory, reimbursement or indemnification arrangements with a person or entity other than A&F in connection with such nominee's candidacy for director or service or action as a director;
- complying with applicable laws and stock exchange requirements and A&F's policies and guidelines applicable to directors; and
- the accuracy and completeness of all facts, statements and other information provided to A&F.

Notwithstanding compliance with the foregoing procedures, A&F will not be required to include a stockholder nominee in A&F's proxy materials if:

- he or she has been nominated on an opposing slate under the advance notice of nomination provisions of the Amended Bylaws;
- the stockholder who nominated him or her is soliciting for one or more candidates nominated on an opposing slate under the advance notice of nomination provisions of the Amended Bylaws;
- the nominee becomes party to a voting agreement or commitment to act or vote as a director on any issue or question that has not been disclosed to A&F;
- the nominee becomes party to a compensatory, reimbursement or indemnification arrangement with a person or entity other than A&F in connection with such nominee's candidacy for director or service or action as a director;
- the nominee is not independent under any applicable independence standards;
- the election of the nominee would cause A&F to violate the Amended Bylaws or the Amended Certificate, any stock exchange requirements or any other applicable state or federal laws, rules or regulations;
- the nominee has been an officer or director of a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914, within the past three years;
- the nominee is the subject of a pending criminal proceeding (excluding traffic violations and other minor offenses) or has been convicted in a criminal proceeding within the past ten years; or
- the nominee or the nominating stockholder has provided false or misleading information to A&F or breached any of such person's respective obligations under Section 2.04 of the Amended Bylaws.

The Amended Bylaws provide that a stockholder nomination may be declared defective by the A&F Board of Directors or the chairman of the annual meeting of stockholders if the nominee or nominating stockholder breaches any of his or her respective obligations under Section 2.04 of the Amended Bylaws or the nominating stockholder does not appear at the annual meeting of the stockholders in person or by proxy to present the nomination. Any stockholder nominee who is included in A&F's proxy materials but subsequently withdraws from or becomes ineligible or unavailable for election at an annual meeting of stockholders will be ineligible for nomination for the next two succeeding annual meetings of A&F stockholders.

No person may be elected as a director unless he or she has been nominated by a stockholder in compliance with the advance notice and proxy access provisions for director nominations in the Amended Bylaws or by the A&F Board of Directors.

Calling Special Meetings of the Stockholders

The Amended Bylaws do not entitle stockholders to call a special meeting of the stockholders, but instead provide that any such special meeting may only be called by the chairman of the A&F Board of Directors, the chief executive officer, the president, or in case of the president's death, absence or disability, the vice president, if any, authorized to exercise the authority of the president, or a majority of the A&F Board of Directors acting with or without a meeting. The Amended Certificate provides that, under limited circumstances and only in the event that A&F has defaulted in certain obligations with respect to the Series A Preferred Stock, the stockholders owning in the aggregate not less than 10% of the total number of outstanding shares of Preferred Stock, when and if issued, may request the calling of a special meeting of holders of Preferred Stock for the purpose of electing directors.

Advance Notification of Stockholder Proposals

The Amended Bylaws provide for an advance notice procedure for stockholder proposals to be considered at annual meetings of stockholders. Notice of the intent to submit a proposal at an annual meeting must be made in writing and delivered in person or mailed by United States certified mail to the secretary of A&F and received at A&F's principal executive offices not less than 120 nor more than 150 days before the anniversary date of the immediately preceding annual meeting of stockholders; except that, in the event that the date of the annual meeting is not within 25 days before or after the anniversary date of the immediately preceding annual meeting of stockholders, notice by the stockholder must be received at A&F's principal executive offices no later than the close of business on the tenth day following the date on which notice of the annual meeting was mailed or publicly disclosed, whichever occurs first. Each stockholder's notice of intention to submit a proposal at an annual meeting must contain the following information, among other things: (a) the name and address of the submitting stockholder; (b) the class and number of shares of capital stock of A&F beneficially owned by the submitting stockholder (including the name in which the shares are registered); (c) any transaction entered into by or on behalf of the submitting stockholder, or any affiliates or associates thereof, with respect to capital stock of A&F; (d) any transaction, agreement, arrangement or understanding made by or on behalf of the submitting stockholder, or any affiliates or associates thereof, with the effect or intent of mitigating loss to, or managing the risk or benefit of stock price changes for, such person or increasing or decreasing the voting power or pecuniary or economic interest of such person with respect to capital stock of A&F; (e) a representation that the stockholder intends to appear at the annual meeting in person or by proxy to submit the proposal; (f) a description of all agreements, arrangements or understandings between or among the submitting stockholder, or any affiliates or associates thereof, and any other persons in connection with the proposal of said business and any material interest of the submitting stockholder, or any affiliates or associates thereof, in the proposal; (g) a brief description of the proposal, including the resolutions to be presented at the annual meeting and the reasons for conducting the proposed business at the annual meeting; and (h) any other information concerning the submitting stockholder that would be required under the SEC's rules to be disclosed in proxy solicitations for the proposed business to be brought by such submitting stockholder.

INTERCREDITOR AGREEMENT

among

WELLS FARGO BANK, NATIONAL ASSOCIATION,

as ABL Agent,

U.S. BANK NATIONAL ASSOCIATION, as First Lien Notes Collateral Agent

and

Each other Additional Notes Agent from time to time party hereto

Dated as of July 2, 2020

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INTERCREDITOR AGREEMENT

THIS INTERCREDITOR AGREEMENT (as amended, supplemented, restated or otherwise modified from time to time pursuant to the terms hereof, this “Agreement”) is entered into as of July 2, 2020 among (i) **WELLS FARGO BANK, NATIONAL ASSOCIATION**, in its capacity as administrative agent and collateral agent (together with its successors and assigns in such capacity, the “**ABL Agent**”) for (a) the financial institutions party from time to time to the ABL Credit Agreement referred to below (such financial institutions, together with their respective successors, assigns and transferees, the “**ABL Lenders**”) and (b) any ABL Bank Products Affiliates and ABL Cash Management Affiliates (each as defined below) (such ABL Bank Products Affiliates and ABL Cash Management Affiliates, together with the ABL Agent and the ABL Lenders, the “**ABL Secured Parties**”), (ii) **U.S. BANK NATIONAL ASSOCIATION**, in its capacity as collateral agent (together with its successors and assigns in such capacity, the “**First Lien Notes Collateral Agent**”) for (a) any Person (as defined below) holding First Lien Notes Obligations (as defined below) (such Persons, together with their respective successors, assigns and transferees, the “**First Lien Note Holders**”) and (b) **U.S. BANK NATIONAL ASSOCIATION**, as trustee under the Indenture (together with its successors and assigns in such capacity, the “**First Lien Notes Trustee**,” such First Lien Notes Trustee, together with the First Lien Notes Collateral Agent and the First Lien Note Holders, the “**First Lien Notes Secured Parties**”), and (iii) each other Additional Notes Agent from time to time party hereto, each in its capacity as an Additional Notes Agent.

RECITALS

A. Pursuant to that certain Credit Agreement dated as of August 7, 2014 by and among Abercrombie & Fitch Management Co. (the “**Lead Borrower**”) and the other Borrowers party thereto (together with the Lead Borrower, the “**ABL Borrowers**”), the ABL Guarantors (as defined below) party thereto, the ABL Lenders and the ABL Agent (as such agreement may be amended, supplemented, restated or otherwise modified from time to time in accordance with the terms hereof and thereof, the “ABL Credit Agreement”), the ABL Lenders have agreed to make certain loans and provide other financial accommodations to or for the benefit of the ABL Borrowers.

B. Pursuant to that certain Facility Guaranty dated as of August 7, 2014 (as the same may be amended, supplemented, restated and/or otherwise modified, the “**ABL Guaranty**”) in favor of the ABL Agent for the benefit of the ABL Secured Parties, the ABL Guarantors (as defined below) have guaranteed the payment and performance of the ABL Borrowers’ obligations under the ABL Documents (as hereinafter defined).

C. Pursuant to the ABL Collateral Documents (as defined below), the ABL Borrowers and the ABL Guarantors (collectively, the “**ABL Loan Parties**”) have granted a security interest and lien in certain of their assets to secure the respective obligations of each of the ABL Loan Parties under the ABL Documents.

D. Pursuant to that certain Indenture, dated as of the date hereof, by and among Abercrombie & Fitch Management Co. (the “**Issuer**”), the First Lien Notes Trustee and the First Lien Notes Collateral Agent (as such agreement may be amended, supplemented, restated or

otherwise modified from time to time in accordance with the terms hereof and thereof, the “**Indenture**”), the Issuer issued First Lien Notes (as hereinafter defined).

E. Pursuant to certain guaranties contained in the Indenture (as the same may be amended, supplemented, restated and/or otherwise modified, collectively, the “**First Lien Notes Guaranty**”) in favor of the First Lien Notes Collateral Agent for the benefit of the First Lien Notes Secured Parties, the Notes Guarantors (as hereinafter defined) have guaranteed the payment and performance of the Issuer’s obligations under the First Lien Notes Documents (as hereinafter defined).

F. Pursuant to the First Lien Notes Collateral Documents (as defined below), the Issuer and the Notes Guarantors (collectively, the “**Notes Loan Parties**”) have granted a security interest and lien in certain of their assets to secure the respective obligations of each of the Notes Loan Parties under the First Lien Notes Documents.

G. Each of the ABL Agent (on behalf of the ABL Secured Parties) and the First Lien Notes Collateral Agent (on behalf of the First Lien Notes Secured Parties) desires to agree to the relative priority of Liens on the Collateral (as defined below) and certain other rights, priorities and interests as provided herein.

K. The Borrower and/or any of the other Guarantors may become a party to any Additional Notes Agreement governing Additional Notes Obligations in the future.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1 **DEFINITIONS**

Section 1.1 Certain Definitions. Unless otherwise defined herein, all capitalized terms used herein shall have the same meaning herein as in the Uniform Commercial Code.

Section 1.2 Other Definitions. Subject to Section 1.1, as used in this Agreement, the following terms shall have the meanings set forth below:

“**ABL Agent**” shall have the meaning assigned to that term in the introduction to this Agreement and shall include any successors thereto as well as any Person designated as the “Agent”, “Administrative Agent”, or “Collateral Agent” under any ABL Credit Agreement.

“**ABL Bank Products**” shall mean “Bank Products” as defined in the ABL Credit Agreement as in effect on the date hereof.

“**ABL Bank Products Affiliate**” shall mean any ABL Lender or any Affiliate of an ABL Lender (or any Person that was an ABL Lender or an Affiliate of an ABL Lender at the time it entered into an agreement to provide ABL Bank Products to an ABL Loan Party or direct or indirect Subsidiaries thereof) that provides ABL Bank Products to any of the ABL Loan Parties or direct or indirect Subsidiaries thereof with the obligations of such ABL Loan Parties or direct

or indirect Subsidiaries thereof thereunder being secured by one or more ABL Collateral Documents, together with their respective successors, assigns and transferees.

“**ABL Borrowers**” shall have the meaning assigned to that term in the recitals to this Agreement.

“**ABL Cash Management Affiliate**” shall mean any ABL Lender or any Affiliate of an ABL Lender that provides ABL Cash Management Services to any of the ABL Loan Parties or direct or indirect Subsidiaries thereof with the obligations of such ABL Loan Parties or direct or indirect Subsidiaries thereof thereunder being secured by one or more ABL Collateral Documents, together with their respective successors, assigns and transferees.

“**ABL Cash Management Services**” shall mean “Cash Management Services” as defined in the ABL Credit Agreement as in effect on the date hereof.

“**ABL Collateral Documents**” shall mean all security agreements, charges, account control agreements, freight forwarder and/or customs broker’s agreements, collateral access agreements, mortgages, and other collateral documents executed and delivered in connection with the ABL Credit Agreement, in each case as the same may be amended, supplemented, restated or otherwise modified from time to time.

“**ABL Credit Agreement**” shall have the meaning assigned to such term in the recitals to this Agreement and shall include any other agreement extending the maturity of, consolidating, restructuring, refunding, replacing, or refinancing all or any portion of the ABL Obligations, whether by the same or any other agent, lender or group of lenders (including, without limitation, under any agreement with respect to ABL DIP Financing provided by any or all of the ABL Secured Parties) so long as the holders of such indebtedness (or an agent on their behalf) shall have agreed to be bound by this Agreement.

“**ABL DIP Financing**” shall have the meaning set forth in Section 6.1(a).

“**ABL Documents**” shall mean the ABL Credit Agreement, the ABL Guaranty, the ABL Collateral Documents, all ABL Bank Products agreements between any ABL Loan Party and any ABL Bank Products Affiliate, all ABL Cash Management Services agreements between any ABL Loan Party and any ABL Cash Management Affiliate, those other ancillary agreements to which any ABL Secured Party is a party or beneficiary and all other agreements, instruments, documents and certificates, now or hereafter executed by or on behalf of any ABL Loan Party and delivered to the ABL Agent or any other ABL Secured Party, in connection with any of the foregoing or with the ABL Credit Agreement or the ABL Collateral Documents, in each case, as the same may be amended, supplemented, restated or otherwise modified from time to time in accordance with the terms hereof and thereof.

“**ABL Guarantors**” shall mean any Person who becomes a guarantor under the ABL Guaranty.

“**ABL Guaranty**” shall have the meaning assigned to that term in the recitals to this Agreement and shall also include any other agreement amending or replacing such agreement, whether by the same or any other agent, lender or group of lenders.

“**ABL Lenders**” shall have the meaning assigned to that term in the introduction to this Agreement, as well as any Person which is a “lender” or “l/c issuer” under any ABL Credit Agreement.

“**ABL Loan Parties**” shall have the meaning assigned to that term in the recitals to this Agreement.

“**ABL Obligations**” shall mean all obligations of every nature of each ABL Loan Party and its direct and indirect Subsidiaries from time to time owed to the ABL Secured Parties, or any of them, under any ABL Document, including, without limitation, all “Obligations” of each ABL Loan Party or similar term as defined in the ABL Credit Agreement, whether for principal, interest, reimbursement of amounts drawn under letters of credit, payments for early termination of swap contracts, fees, expenses, penalties, indemnification, reimbursements or otherwise, and all other amounts owing or due under the terms of the ABL Documents (including interest, fees, indemnification payments, expense reimbursements and other amounts which, but for the filing of an Insolvency Proceeding with respect to such ABL Loan Party, would have accrued on or been payable with respect to any ABL Obligation, whether or not a claim is allowed against such ABL Loan Party for such interest, fees, indemnification payments, expense reimbursements and other amounts in the related Insolvency Proceeding), as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time in accordance with the terms hereof and thereof.

“**ABL Priority Collateral**” shall mean all Collateral consisting of the following:

- (1) all Accounts, other than Accounts which constitute identifiable Proceeds of Notes Priority Collateral;
- (2) all Credit Card Receivables;
- (3) all Inventory;
- (4) all Deposit Accounts;
- (5) all tax refunds or rebates, other than any such refunds or rebates relating to real estate or personal property taxes with respect to items constituting Notes Priority Collateral;
- (6) all intercompany loans (together with all promissory notes relating thereto) owing from Foreign Subsidiaries to the ABL Loan Parties;
- (7) the Canadian Collateral;
- (8) the European Collateral;
- (9) to the extent relating to, arising from, evidencing or governing any of the items referred to in the preceding clauses, all Securities Accounts, Documents, General Intangibles, Instruments, Commercial Tort Claims; all Supporting Obligations and Letter-of-Credit Rights;

(10) all books and Records relating to the items referred to in the preceding clauses (including all books, databases, and Records, whether tangible or electronic, which contain any information relating to any of the items referred to in the preceding clauses); and

(11) all guarantees with respect to any of the foregoing and all cash, cash equivalents, money, insurance proceeds and other Proceeds of any of the foregoing (such proceeds, “**ABL Priority Proceeds**”);

provided that in no event shall ABL Priority Collateral include any (a) Equipment, (b) Intellectual Property, (c) real property owned or leased by any Notes Loan Party, (d) Equity Interests of any Subsidiary of any Loan Party, (e) payment intangibles (excluding Credit Card Receivables) and promissory notes (excluding intercompany notes described above and excluding payment intangibles and promissory notes evidencing payment for ABL Priority Collateral or tax refunds or rebates described above), and (f) any Notes Collateral Proceeds Accounts.

“**ABL Recovery**” shall have the meaning set forth in Section 5.3(a).

“**ABL Secured Parties**” shall have the meaning assigned to that term in the introduction to this Agreement.

“**Additional Notes Agent**” shall mean any agent, trustee or representative of the holders of Additional Notes Obligations who (a) is appointed as the collateral agent (or similar capacity) (for purposes related to the administration of the security documents related thereto) pursuant to a Credit Facility or other agreement governing such Additional Notes Obligations, together with its successors in such capacity, and (b) has become a party to this Agreement pursuant to Section 5.2(d).

“**Additional Notes Agreement**” shall mean any Credit Facility or other agreement or instrument evidencing or governing Additional Notes Debt, in each case in respect of which the Additional Notes Agent in respect of such Additional Notes Debt has become a party to this Agreement pursuant to Section 5.2(d).

“**Additional Notes Debt**” shall mean Indebtedness (other than the ABL Credit Agreement and First Lien Notes issued under the Indenture) permitted under the Indenture and the ABL Credit Agreement to be incurred and to be secured on a *pari passu* basis with all other Notes Obligations (for the avoidance of doubt, such Indebtedness may be expressly subordinated in right of payment (or in priority of application of proceeds of Collateral) to any other Notes Obligation, including in the form of a “last-out” tranche); provided that (a) such Indebtedness has been designated by the Borrower in an Officers’ Certificate delivered to the Agents as “Additional Notes Debt” for the purposes of this Agreement which certificate shall include a certification by an officer of the Borrower that such Additional Notes Debt is Additional Notes Obligations permitted to be so incurred and secured in accordance with each of the ABL Documents and each of the First Lien Notes Documents and (b) any agent, trustee or representative of the holders of the First Lien Notes Obligations related to such Additional Notes Debt shall have become a party to this Agreement pursuant to Section 5.2(d).

“Additional Notes Obligations” shall mean (a) any Obligations with respect to any Additional Notes Agreement, (b) all reimbursement obligations (if any) and interest thereon with respect to any letter of credit or similar instruments issued pursuant to any Additional Notes Agreement and (c) all hedging obligations, cash management obligations and similar bank product obligations between the Borrower and/or the Guarantors, on the one hand, and any Person that was a lender, agent for the lenders or holder of obligations owing under any Additional Notes Agreement at the time the agreement governing such obligations was entered into (or any affiliate of any Person that was a lender, agent for the lenders or holder of Obligations under any Additional Notes Agreement at the time the agreement governing such obligations was entered into), on the other hand, to the extent that such obligations are secured by Liens on the Collateral, and all fees, expenses and other amounts payable from time to time in connection therewith; *provided*, however, for the avoidance of doubt, none of the ABL Obligations or First Lien Notes Obligations shall constitute Additional Notes Obligations.

“Additional Notes Secured Parties” shall mean any Additional Notes Agent, any trustee, the lenders and letter of credit issuer(s) party to any Additional Notes Agreement and any other Person holding any Additional Notes Obligation or to whom any Additional Notes Obligation is at any time owing.

“Affiliate” shall mean, with respect to a specified Person, any other Person that directly or indirectly through one or more intermediaries Controls, is Controlled by or is under common Control with the Person specified. “Control” shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“Agent(s)” shall mean individually the ABL Agent, the First Lien Notes Collateral Agent or any Additional Notes Agent and collectively shall mean the ABL Agent, the First Lien Notes Collateral Agent and each Additional Notes Agent.

“Agreement” shall have the meaning assigned to that term in the introduction to this Agreement.

“Bankruptcy Code” shall mean Title 11 of the United States Code, as now or hereafter in effect or any successor thereto.

“Borrower” shall mean any of the ABL Borrowers, and/or the Issuer and/or any other Person that has agreed to become a primary obligor of, inter alia, the payment or performance of Additional Notes Obligations as the context may require.

“Business Day” shall mean any day other than (a) Saturday or Sunday; (b) any day on which banks in Boston, Massachusetts or New York City, New York, generally are not open to the general public for the purpose of conducting commercial banking business; or (c) a day on which the principal office of any Notes Collateral Agent or any ABL Agent is not open to the general public to conduct business.

“Canadian Collateral” shall mean any Collateral hereafter granted to the ABL Agent by Foreign Subsidiaries of the ABL Loan Parties organized under the laws of Canada to secure any portion of the ABL Obligations.

“Collateral” shall mean all Property now owned or hereafter acquired by any Borrower or any Guarantor in or upon which a Lien is granted or purported to be granted to the ABL Agent or any Notes Collateral Agent under any of the ABL Collateral Documents or the Notes Collateral Documents, together with all substitutions, additions, products and Proceeds thereof; provided that, for purposes hereof, “Collateral” shall not include any European Collateral or Canadian Collateral.

“Control Collateral” shall mean any Collateral consisting of any Deposit Account, Securities Account, Instruments and any other Collateral as to which a Lien may be perfected through possession or control by the secured party, or any agent therefor; provided that, for purposes hereof, “Control Collateral” shall not include any European Collateral or Canadian Collateral.

“Credit Card Receivables” means each “payment intangible” (as defined in the UCC) together with all income, payments and proceeds thereof, owed by a credit card issuer or credit card processor to a Loan Party resulting from charges by a customer of a Loan Party on credit, debit or charge cards issued by such credit card issuer in connection with the sale of goods by a Loan Party, or services performed by a Loan Party, in each case in the ordinary course of its business.

“Credit Documents” shall mean the ABL Documents and the Notes Documents.

“Credit Facility” shall mean one or more debt facilities or agreements, commercial paper facilities, securities purchase agreements, indentures or similar agreements, in each case, with banks, trustees, collateral trustees or other institutional lenders or investors providing for, or acting as underwriters of, revolving loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), notes, debentures, letters of credit or the issuance and sale of securities including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith and in each case, as amended, extended, renewed, restated, supplemented or otherwise modified (in whole or in part, and without limitation as to amount, terms, conditions, covenants and other provisions) from time to time, and any agreements, indentures or other instruments (and related documents) governing any form of Indebtedness incurred to refinance or replace, in whole or in part, the borrowings and commitments at any time outstanding or permitted to be outstanding under such facility or agreement or successor facility or agreement whether by the same or any other lender or holder of Indebtedness or group of lenders or holders of Indebtedness and whether the same obligor or different obligors.

“Debtor Relief Laws” shall mean the Bankruptcy Code as now or hereafter in effect or any successor thereto, as well as all other liquidation, conservatorship, bankruptcy, assignment for benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or

similar debtor relief laws of the United States federal or state law or of any applicable foreign law from time to time in effect affecting the rights of creditors generally.

“Designated Notes Collateral Agent” shall mean, at any time, (i) if there is only one Notes Collateral Agent party hereto at such time, such Notes Collateral Agent and (ii) if clause (i) does not apply, the Applicable Collateral Agent as such term is defined in the Notes Pari Passu Intercreditor Agreement at such time.

“DIP Financing” shall mean an ABL DIP Financing or a Notes DIP Financing, as applicable.

“Discharge of ABL Obligations” shall mean (a) the payment in full in cash of all outstanding ABL Obligations, including with respect to amounts available to be drawn under outstanding letters of credit issued thereunder (or indemnities or other undertakings issued pursuant thereto in respect of outstanding letters of credit), the cancellation of such letters of credit or the delivery or provision of cash collateral or backstop letters of credit in respect thereof in compliance with the terms of the ABL Credit Agreement (which shall not exceed an amount equal to 103% of the aggregate undrawn amount of such letters of credit) and (b) the termination of all commitments to extend credit under the ABL Documents, other than (x) unasserted contingent indemnification ABL Obligations and (y) unless the ABL Obligations have been accelerated as a result of the occurrence of any Event of Default under the ABL Documents or the ABL Loan Parties are liquidating substantially all of their assets, Obligations in respect of ABL Bank Products and ABL Cash Management Services.

“Discharge of Notes Obligations” shall mean the payment in full in cash of all outstanding Notes Obligations, other than unasserted contingent indemnification Notes Obligations.

“Domestic Subsidiary” shall mean any Subsidiary that is organized under the laws of the United States of America, any State thereof or the District of Columbia (excluding, for the avoidance of doubt, any Subsidiary organized under the laws of Puerto Rico or any other territory).

“Enforcement Notice” shall mean a written notice delivered by either the ABL Agent or the Designated Notes Collateral Agent to the other announcing that an Enforcement Period has commenced.

“Enforcement Period” shall mean the period of time following the receipt by either the ABL Agent or the Designated Notes Collateral Agent of an Enforcement Notice from the other and continuing until the earliest of (a) in the case of an Enforcement Period commenced by the Designated Notes Collateral Agent, the Discharge of Notes Obligations, (b) in the case of an Enforcement Period commenced by the ABL Agent, the Discharge of ABL Obligations, or (c) the ABL Agent or the Designated Notes Collateral Agent (as applicable) terminates, or agrees in writing to terminate, the Enforcement Period.

“Equity Interests” shall mean, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or

other ownership or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

“European Collateral” shall mean any Collateral hereafter granted to the ABL Agent by Foreign Subsidiaries of the ABL Loan Parties organized under the laws of any European jurisdiction to secure any portion of the ABL Obligations.

“Event of Default” shall mean an “Event of Default” (or term of similar meaning) as defined in the ABL Credit Agreement, the Indenture or any Additional Notes Agreement, as applicable.

“Exercise of Any Secured Creditor Remedies” or “Exercise of Secured Creditor Remedies” shall mean, except as otherwise provided in the final sentence of this definition:

(a) the taking by any Secured Party of any action to enforce or realize upon any Lien, including the institution of any foreclosure proceedings or the noticing of any public or private sale pursuant to Article 9 of the Uniform Commercial Code or other applicable law;

(b) the exercise by any Secured Party of any right or remedy provided to a secured creditor on account of a Lien under any of the Credit Documents, under applicable law, in an Insolvency Proceeding or otherwise, including the election to retain any of the Collateral in satisfaction of a Lien;

(c) the taking of any action by any Secured Party or the exercise of any right or remedy by any Secured Party in respect of the collection on, set off against, marshaling of, injunction respecting or foreclosure on the Collateral or the Proceeds thereof;

(d) the appointment on the application of a Secured Party, of a receiver, receiver and manager or interim receiver of all or part of the Collateral;

(e) the sale, lease, license, or other disposition of all or any portion of the Collateral by private or public sale conducted by a Secured Party or any other means at the direction of a Secured Party permissible under applicable law; and

(f) the exercise of any other right of a secured creditor under Part 6 of Article 9 of the Uniform Commercial Code or under provisions of similar effect under other applicable law.

For the avoidance of doubt, none of the following shall be deemed to constitute an Exercise of Secured Creditor Remedies: (i) the filing of a proof of claim in any Insolvency Proceeding or seeking adequate protection (subject to Section 6.3 below), (ii) the exercise of rights by the ABL

Agent with respect to the ABL Priority Collateral during the continuance of a Cash Dominion Event (as defined in the ABL Credit Agreement), including, without limitation, with respect to Deposit Accounts and Securities Accounts and the notification of account debtors, depository institutions, securities intermediaries, or any other Person to deliver proceeds of ABL Priority Collateral to the ABL Agent, (iii) the consent by the ABL Agent to a store closing sale, going out of business sale or other disposition by any Loan Party of any of the ABL Priority Collateral (other than any such sale conducted at the direction of the ABL Agent in connection with the Exercise of Secured Creditor Remedies after the occurrence of an Event of Default), (iv) the reduction of advance rates or sub-limits, or the addition of additional eligibility criteria, by the ABL Agent, (v) the imposition or increase of Availability Reserves or Inventory Reserves or other Reserves (in each case as defined in the ABL Credit Agreement) by the ABL Agent, (vi) any collection, adjustment or settlement of insurance claims, or any application to a court of competent jurisdiction to make a determination as to the collection, adjustment or settlement of an insurance claim, in each case in accordance with Section 3.3, (vii) the exercise of rights by the ABL Agent under the ABL Documents to require any ABL Loan Party to take actions in the nature of “further assurances” with respect to the Collateral permitted by the ABL Documents and not inconsistent with this Agreement, (viii) the exercise of rights by any Notes Collateral Agent under the Notes Documents to require any Notes Loan Party to take actions in the nature of “further assurances” with respect to the Collateral permitted by the Notes Documents and not inconsistent with this Agreement, or (ix) the exercise of any rights or remedies by the ABL Agent against any ABL Loan Party which is not a Notes Loan Party.

“**First Lien Notes Collateral Agent**” shall have the meaning assigned to that term in the introduction to this Agreement and shall include any successors thereto as well as any Person designated as the “Collateral Agent”, “Collateral Trustee” or “Notes Collateral Agent” (or similar term) under any Indenture.

“**First Lien Notes Collateral Documents**” shall mean all security agreements, account control agreements, collateral access agreements, mortgages and other collateral documents executed and delivered in connection with the Indenture, in each case as the same may be amended, supplemented, restated or otherwise modified from time to time.

“**First Lien Notes Documents**” shall mean the Indenture (including any indenture supplements), the First Lien Notes Guaranty, the First Lien Notes Collateral Documents and all other agreements, instruments, documents and certificates, now or hereafter executed by or on behalf of any Notes Loan Party or any of its respective Affiliates, and delivered to the First Lien Notes Trustee, the First Lien Notes Collateral Agent or any other First Lien Notes Secured Party, in connection with any of the foregoing or the Indenture, in each case as the same may be amended, supplemented, restated or otherwise modified from time to time in accordance with the terms hereof and thereof.

“**First Lien Notes Guaranty**” shall have the meaning assigned to that term in the recitals to this Agreement and shall also include any other agreement amending or replacing such agreement, whether by the same or any other agent, creditor or group of creditors.

“**First Lien Note Holders**” shall have the meaning assigned to that term in the introduction to this Agreement, as well as any Person which is a “holder” under any Indenture.

“First Lien Notes” shall mean (a) the Notes issued by the Issuer under the Indenture, (b) any additional notes issued under the Indenture by the Issuer; provided that, in respect of any additional notes, the Borrower has delivered an Officers’ Certificate to the Agents certifying that the Indebtedness in respect of such additional notes is permitted to be so incurred in accordance with each of the ABL Documents and each of the Notes Documents and (c) any notes issued by the Borrower in exchange for, and as contemplated by, any of the foregoing notes and any related registration rights agreement with substantially identical terms as such notes being exchanged.

“First Lien Notes Obligations” shall mean all obligations of every nature of each Notes Loan Party from time to time owed to the First Lien Notes Secured Parties, or any of them, under any First Lien Notes Document, including, without limitation, all “Obligations” of each Notes Loan Party or similar term as defined in the Indenture, whether for principal, interest, fees, expenses, penalties, indemnification, reimbursements or otherwise, and all other amounts owing or due under the terms of the Notes Documents (including interest, fees, indemnification payments, expense reimbursements and other amounts which, but for the filing of an Insolvency Proceeding with respect to such Notes Loan Party, would have accrued on or been payable with respect to any First Lien Notes Obligation, whether or not a claim is allowed against such Notes Loan Party for such interest, fees, indemnification payments, expense reimbursements and other amounts in the related Insolvency Proceeding), as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time in accordance with the terms hereof and thereof.

“First Lien Notes Secured Parties” shall have the meaning assigned to that term in the introduction to this Agreement.

“Foreign Subsidiary” shall mean any Subsidiary that is not a Domestic Subsidiary

“Governmental Authority” shall mean any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Guarantor” shall mean each of the ABL Guarantors, the Notes Guarantors or any other Person guaranteeing, *inter alia*, the payment or performance of Additional Notes Obligations.

“Indebtedness” shall have the meaning provided in the ABL Credit Agreement or the Indenture, respectively.

“Indenture” shall have the meaning assigned to that term in the recitals to this Agreement and shall include any other agreement or indenture extending the maturity of, consolidating, restructuring, refunding, replacing or refinancing all or any portion of the Notes Obligations, whether by the same or any other agent, trustee, creditors or group of creditors (including, without limitation, under any agreement with respect to Notes DIP Financing provided by any or all of the Notes Secured Parties).

“Insolvency Proceeding” shall mean (a) any case, action or proceeding before any court or other Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or (b) any general assignment for the

benefit of creditors, composition, marshalling of assets for creditors or other similar arrangement in respect of its creditors generally or any substantial portion of its creditors; in each case covered by clauses (a) and (b) undertaken under any Debtor Relief Laws.

“Intellectual Property” shall mean all present and future: trade secrets, know-how and other proprietary information; trademarks, trademark applications, internet domain names, service marks, trade dress, trade names, business names, designs, logos, slogans (and all translations, adaptations, derivations and combinations of the foregoing) indicia and other source and/or business identifiers, and all registrations or applications for registrations which have heretofore been or may hereafter be issued thereon throughout the world; copyrights and copyright applications; (including copyrights for computer programs) and all tangible and intangible property embodying the copyrights, unpatented inventions (whether or not patentable); patents and patent applications; industrial design applications and registered industrial designs; license agreements related to any of the foregoing and income therefrom; books, customer lists, records, writings, computer tapes or disks, flow diagrams, specification sheets, computer software, source codes, object codes, executable code, data, databases and other physical manifestations, embodiments or incorporations of any of the foregoing; all other intellectual property; and all common law and other rights throughout the world in and to all of the foregoing.

“Issuer” shall have the meaning assigned to that term in the recitals to this Agreement.

“Joinder Agreement” shall mean a joinder agreement substantially in the form of Exhibit A.

“Lender(s)” shall mean individually the ABL Lenders or the Notes Secured Parties and collectively shall mean all of the ABL Lenders and the Notes Secured Parties.

“Lien” shall mean, with respect to any asset, any mortgage, deed of trust, lien (statutory or otherwise), pledge, hypothecation, encumbrance, collateral assignment, charge or security interest in, on or of such asset.

“Lien Priority” shall mean with respect to any Lien of the ABL Secured Parties or the Notes Secured Parties in the Collateral, the order of priority of such Lien as specified in Section 2.1.

“Loan Parties” shall mean the ABL Loan Parties and the Notes Loan Parties.

“Notes Collateral Agent” shall mean individually the First Lien Notes Collateral Agent or any Additional Notes Agent and collectively shall mean the First Lien Notes Collateral Agent and each Additional Notes Agent.

“Notes Collateral Documents” shall mean (a) the First Lien Notes Collateral Documents and (b) any agreement, document or instrument pursuant to which a Lien is granted by the Borrower, any Guarantor or any other Grantor (as defined therein) to secure any Additional Notes Obligations or under which rights or remedies with respect to any such Lien are governed.

“Notes Collateral Proceeds Account” shall mean any deposit account in the name of a Notes Collateral Agent or the Issuer which contains (or was established to contain) only (a) Notes Priority Proceeds and/or (b) proceeds from any disposition of Notes Priority Collateral pending reinvestment pursuant to the Indenture or other Notes Documents.

“Notes DIP Financing” shall have the meaning set forth in Section 6.1(b).

“Notes Documents” shall mean, collectively, (a) the First Lien Notes Documents and (b) each Additional Notes Agreement, and each of the other agreements, documents or instruments evidencing, governing or securing any Notes Obligations and any other related documents or instruments executed and delivered pursuant to the foregoing.

“Notes Guarantors” shall mean any Person who becomes a guarantor under the Notes Guaranty.

“Notes Loan Parties” shall have the meaning assigned to that term in the recitals to this Agreement.

“Notes Obligations” shall mean, collectively, the First Lien Notes Obligations and the Additional Notes Obligations.

“Notes Pari Passu Intercreditor Agreement” shall mean any intercreditor agreement in the form of Exhibit D to the Indenture entered into by the Notes Collateral Agents on behalf of the Notes Secured Parties.

“Notes Priority Collateral” shall mean all Collateral, other than ABL Priority Collateral, including the following:

- (1) Equity Interests owned by any of the Notes Loan Parties;
- (2) Equipment of the Notes Loan Parties;
- (3) Intellectual Property of the Notes Loan Parties;
- (4) Real property owned by any Notes Loan Party;
- (5) Payment intangibles of, and promissory notes in favor of, any Notes Loan Party;
- (6) General intangibles;
- (7) Notes Collateral Proceeds Accounts;
- (8) tax refunds or rebates relating to real estate or personal property described above;
- (9) all books and Records relating to the items referred to in the preceding clauses (including all books, databases, and Records, whether tangible or electronic,

which contain any information relating to any of the items referred to in the preceding clauses); and

(10) all guarantees with respect to any of the foregoing and all cash, cash equivalents, money, insurance proceeds and other Proceeds of any of the foregoing (such proceeds, “**Notes Priority Proceeds**”);

provided that in no event shall Notes Priority Collateral include any Canadian Collateral or European Collateral.

“**Notes Recovery**” shall have the meaning set forth in Section 5.3(b).

“**Notes Secured Parties**” shall mean the First Lien Notes Secured Parties and the Additional Notes Secured Parties.

“**Officers’ Certificate**” shall mean a certificate signed by Everett Gallagher Jr. or any other director, officer or other representatives of the Borrower.

“**Person**” shall mean an individual, partnership, corporation, limited liability company, unlimited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

“**Priority Collateral**” shall mean the ABL Priority Collateral or the Notes Priority Collateral, as applicable.

“**Proceeds**” shall mean (a) all “proceeds,” as defined in Article 9 of the Uniform Commercial Code, with respect to the Collateral, and (b) whatever is recoverable or recovered when any Collateral is sold, exchanged, collected, or disposed of, whether voluntarily or involuntarily.

“**Property**” shall mean any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

“**Secured Parties**” shall mean the ABL Secured Parties and the Notes Secured Parties.

“**Subsidiary**” of a Person shall mean a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the Equity Interests having ordinary voting power for the election of directors or other governing body are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a “Subsidiary” or to “Subsidiaries” shall refer to a Subsidiary or Subsidiaries of a Loan Party.

“**Uniform Commercial Code**” shall mean the Uniform Commercial Code as the same may, from time to time, be in effect in the State of New York; provided that to the extent that the Uniform Commercial Code is used to define any term in any security document and such term is defined differently in differing Articles of the Uniform Commercial Code, the definition of such term contained in Article 9 shall govern; provided further that in the event that, by reason of

mandatory provisions of law, any or all of the attachment, perfection, publication or priority of, or remedies with respect to, Liens of any party is governed by the Uniform Commercial Code or foreign personal property security laws as enacted and in effect in a jurisdiction other than the State of New York, the term “Uniform Commercial Code” will mean the Uniform Commercial Code or such foreign personal property security laws as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions.

“**Use Period**” shall mean the period commencing on the date that the ABL Agent (or an ABL Loan Party acting with the consent of the ABL Agent) commences the liquidation and sale of the ABL Priority Collateral and ending 180 days thereafter. If any stay or other order that prohibits any of the ABL Agent, the other ABL Secured Parties or any ABL Loan Party (with the consent of the ABL Agent) from commencing and continuing to Exercise of Any Secured Creditor Remedies or to liquidate and sell the ABL Priority Collateral has been entered by a court of competent jurisdiction, such 180-day period shall be tolled during the pendency of any such stay or other order and the Use Period shall be so extended.

Section 1.3 Rules of Construction. Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the term “including” is not limiting and shall be deemed to be followed by the phrase “without limitation,” and the term “or” has, except where otherwise indicated, the inclusive meaning represented by the phrase “and/or.” The words “hereof,” “herein,” “hereby,” “hereunder,” and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Article, section, subsection, clause, schedule and exhibit references herein are to this Agreement unless otherwise specified. Any reference in this Agreement to any agreement, instrument, or document shall include all alterations, amendments, changes, restatements, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements thereto and thereof, as applicable (subject to any restrictions on such alterations, amendments, changes, restatements, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements set forth herein). Any reference herein to any Person shall be construed to include such Person’s successors and assigns. Any reference herein to the repayment in full of an obligation shall mean the payment in full in cash of such obligation, or in such other manner as may be approved in writing by the requisite holders or representatives in respect of such obligation. Any reference herein to a time of day means Eastern time.

ARTICLE 2 **LIEN PRIORITY**

Section 2.1 Priority of Liens

(a) Notwithstanding (i) the date, time, method, manner, or order of grant, attachment, or perfection of any Liens granted to the ABL Secured Parties in respect of all or any portion of the Collateral or of any Liens granted to the Notes Secured Parties in respect of all or any portion of the Collateral and regardless of how any such Lien was acquired (whether by grant, statute, operation of law, subrogation or otherwise), (ii) the order or time of filing or recordation of any document or instrument for perfecting the Liens in favor of the ABL Agent for the benefit of the ABL Secured Parties or the Notes Collateral Agents for the benefit of the

Notes Secured Parties in any Collateral, (iii) any provision of the Uniform Commercial Code, Debtor Relief Laws or any other applicable law, or of the ABL Documents or the Notes Documents, (iv) whether the ABL Agent or any Notes Collateral Agent, in each case, either directly or through agents, holds possession of, or has control over, all or any part of the Collateral, (v) the date on which the ABL Obligations or the Notes Obligations are advanced or made available to the Loan Parties, or (vi) any failure of the ABL Agent or any Notes Collateral Agent to perfect its Lien in the Collateral, the subordination of any Lien on the Collateral securing any ABL Obligations or Notes Obligations, as applicable, to any Lien securing any other obligation of any Borrower or Guarantor, or the avoidance, invalidation or lapse of any Lien on the Collateral securing any ABL Obligations or Notes Obligations, the ABL Agent, on behalf of themselves and the ABL Secured Parties, and the Notes Collateral Agents, on behalf of themselves and the Notes Secured Parties, hereby agree that the following priorities apply to the ABL Priority Collateral and the Notes Priority Collateral:

(1) With respect to the ABL Priority Collateral:

(A) a senior Lien to the ABL Agent and the other ABL Secured Parties to the extent of the ABL Obligations;

(B) a junior Lien to the Notes Collateral Agents and the other Notes Secured Parties to the extent of the Notes Obligations (it being acknowledged and agreed that the Notes Collateral Agents do not, and shall not, have a Lien on the Canadian Collateral or the European Collateral).

For clarity, the Lien of the ABL Agent on the ABL Priority Collateral shall be senior to any Lien of the Notes Collateral Agents thereon and any Lien of the Notes Collateral Agents on the ABL Priority Collateral shall be junior to the Lien of the ABL Agent thereon.

(2) With respect to the Notes Priority Collateral:

(A) a senior Lien to the Notes Collateral Agents and the other Notes Secured Parties to the extent of the Notes Obligations;

(B) a junior Lien to the ABL Agent and the other ABL Secured Parties to the extent of the ABL Obligations.

For clarity, the Lien of the Notes Collateral Agents on the Notes Priority Collateral shall be senior to the Lien of the ABL Agent thereon and the Lien of the ABL Agent on the Notes Priority Collateral shall be junior to the Lien of the Notes Collateral Agents thereon.

(b) Each Notes Collateral Agent, for and on behalf of itself and the Notes Secured Parties represented by it, acknowledges and agrees that, the ABL Agent, for the benefit of itself and the ABL Secured Parties, has been, or may be, granted Liens upon all of the Notes Priority Collateral and each Notes Collateral Agent hereby consents thereto. The ABL Agent, for and on behalf of itself and the ABL Secured Parties, acknowledges and agrees that, the Notes Collateral Agents, for the benefit of themselves and the Notes Secured Parties, have been,

or may be, granted Liens upon all of the ABL Priority Collateral and the ABL Agent hereby consents thereto. The subordination of Liens by the Notes Collateral Agents and the ABL Agent in favor of one another as set forth herein shall not be deemed to subordinate the Notes Collateral Agents' Liens or the ABL Agent's Liens to the Liens of any other Person.

Section 2.2 Waiver of Right to Contest Liens.

(a) Each Notes Collateral Agent, for and on behalf of itself and the Notes Secured Parties represented by it, agrees that it and they shall not (and hereby waives any right to) take any action to contest or challenge (or assist or support any other Person in contesting or challenging), directly or indirectly, whether or not in any proceeding (including in any Insolvency Proceeding), the validity, priority, enforceability, or perfection of the Liens of the ABL Agent and the ABL Secured Parties in respect of the Collateral or the provisions of this Agreement. Each Notes Collateral Agent, for itself and on behalf of the Notes Secured Parties represented by it, agrees that none of the Notes Collateral Agents or the Notes Secured Parties will take any action that would interfere with any Exercise of Secured Creditor Remedies undertaken by the ABL Agent or any ABL Secured Party under the ABL Documents with respect to the ABL Priority Collateral. Each Notes Collateral Agent, for itself and on behalf of the Notes Secured Parties represented by it, hereby waives any and all rights it or the Notes Secured Parties may have as a junior lien creditor or otherwise to contest, protest, object to, or interfere with the manner in which the ABL Agent or any ABL Lender seeks to enforce its Liens in any ABL Priority Collateral. The foregoing shall not be construed to prohibit any Notes Collateral Agent from enforcing the provisions of this Agreement or otherwise acting in accordance with this Agreement.

(b) The ABL Agent, for and on behalf of itself and the ABL Secured Parties, agrees that it shall not (and hereby waives any right to) take any action to contest or challenge (or assist or support any other Person in contesting or challenging), directly or indirectly, whether or not in any proceeding (including in any Insolvency Proceeding), the validity, priority, enforceability, or perfection of the Liens of the Notes Collateral Agents or the Notes Secured Parties in respect of the Collateral or the provisions of this Agreement. Except to the extent expressly set forth in this Agreement, the ABL Agent, for itself and on behalf of the ABL Secured Parties, agrees that none of the ABL Agent or the ABL Secured Parties will take any action that would interfere with any Exercise of Secured Creditor Remedies undertaken by the Notes Collateral Agents or any Notes Secured Party under the Notes Documents with respect to the Notes Priority Collateral. The ABL Agent, for itself and on behalf of the ABL Secured Parties, hereby waives any and all rights it or the ABL Secured Parties may have as a junior lien creditor or otherwise to contest, protest, object to, or interfere with the manner in which the Notes Collateral Agents or any Notes Secured Party seeks to enforce its Liens in any Notes Priority Collateral. The foregoing shall not be construed to prohibit the ABL Agent from enforcing the provisions of this Agreement or otherwise acting in accordance with this Agreement.

Section 2.3 Remedies Standstill.

(a) Each Notes Collateral Agent, on behalf of itself and the Notes Secured Parties represented by it, agrees that, from the date hereof until the date upon which the

Discharge of ABL Obligations shall have occurred, neither the Notes Collateral Agents nor any Notes Secured Party will Exercise of Any Secured Creditor Remedies with respect to any of the ABL Priority Collateral, and will not take, receive or accept any Proceeds of ABL Priority Collateral, it being understood and agreed that the temporary deposit of Proceeds of ABL Priority Collateral in a Deposit Account controlled by such Notes Collateral Agent shall not constitute a breach of this Agreement so long as such Proceeds are promptly (but in no event later than five Business Days after such Notes Collateral Agent's actual knowledge of its receipt thereof) remitted to the ABL Agent. From and after the date upon which the Discharge of ABL Obligations shall have occurred, the Notes Collateral Agents or any Notes Secured Party may Exercise Any Secured Creditor Remedies under the Notes Documents or applicable law as to any ABL Priority Collateral; provided, however, that any Exercise of Secured Creditor Remedies with respect to any Collateral by the Notes Collateral Agents or the Notes Secured Parties is at all times subject to the provisions of this Agreement.

(b) The ABL Agent, on behalf of itself and the ABL Secured Parties, agrees that, from the date hereof until the date upon which the Discharge of Notes Obligations shall have occurred, neither the ABL Agent nor any ABL Secured Party will Exercise Any Secured Creditor Remedies with respect to the Notes Priority Collateral, and will not take, receive or accept any Proceeds of the Notes Priority Collateral, it being understood and agreed that the temporary deposit of Proceeds of Notes Priority Collateral in a Deposit Account controlled by the ABL Agent shall not constitute a breach of this Agreement so long as such Proceeds are promptly (but in no event later than five Business Days after the ABL Agent's actual knowledge of its receipt thereof) remitted to the Designated Notes Collateral Agent. From and after the date upon which the Discharge of Notes Obligations shall have occurred, the ABL Agent or any ABL Secured Party may Exercise Any Secured Creditor Remedies under the ABL Documents or applicable law as to any Notes Priority Collateral; provided, however, that any Exercise of Secured Creditor Remedies with respect to any Collateral by the ABL Agent or the ABL Secured Parties is at all times subject to the provisions of this Agreement.

(c) Notwithstanding the provisions of Sections 2.3(a), 2.3(b) or any other provision of this Agreement, nothing contained herein shall be construed to prevent any Agent or any Secured Party from (i) filing a claim or statement of interest with respect to the ABL Obligations or Notes Obligations owed to it in any Insolvency Proceeding commenced by or against any Loan Party, (ii) taking any action (not adverse to the Lien Priority of the Liens of the other Agent or other Secured Parties on the Collateral in which such other Agent or other Secured Party has a priority Lien or the rights of the other Agent or any of the other Secured Parties to Exercise of Any Secured Creditor Remedies in respect thereof) in order to create, perfect, preserve or protect (but not enforce) its Lien on any Collateral, (iii) filing any necessary or responsive pleadings in opposition to any motion, adversary proceeding or other pleading filed by any Person objecting to or otherwise seeking disallowance of the claim or Lien of such Agent or Secured Party, (iv) filing any pleadings, objections, motions, or agreements which assert rights available to unsecured creditors of the Loan Parties arising under any Insolvency Proceeding or applicable non-bankruptcy law, (v) voting on any plan of reorganization or filing any proof of claim in any Insolvency Proceeding of any Loan Party, or (vi) objecting to the proposed retention of Collateral by the other Agent or any other Secured

Party in full or partial satisfaction of any ABL Obligations or Notes Obligations due to such other Agent or Secured Party, in each case (i) through (vi) above to the extent not inconsistent with the terms of this Agreement.

Section 2.4 Exercise of Rights.

(a) No Other Restrictions. Except as expressly set forth in this Agreement, each Notes Secured Party and each ABL Secured Party shall have any and all rights and remedies it may have as a creditor under applicable law, including the right to the Exercise of Secured Creditor Remedies; provided, however, that the Exercise of Secured Creditor Remedies with respect to the Collateral shall be subject to the provisions of this Agreement. The ABL Agent may enforce the provisions of the ABL Documents, and the Notes Collateral Agent may enforce the provisions of the Notes Documents and each may Exercise of Any Secured Creditor Remedies, all in such order and in such manner as each may determine in the exercise of its sole discretion, consistent with the terms of this Agreement and mandatory provisions of applicable law; provided, however, that each of the ABL Agent and the Notes Collateral Agent agrees to provide to the other (x) an Enforcement Notice prior to the commencement of an Exercise of Any Secured Creditor Remedies and (y) copies of any notices that it is required under applicable law to deliver to any Borrower or any Guarantor; provided further, however, that the ABL Agent's failure to provide any such copies to the Notes Collateral Agent (but not the Enforcement Notice) shall not impair any of the ABL Agent's rights hereunder or under any of the ABL Documents and the Notes Collateral Agent's failure to provide any such copies to the ABL Agent (but not the Enforcement Notice) shall not impair any of the Notes Collateral Agent's rights hereunder or under any of the Notes Documents. Each of the Notes Collateral Agent (on behalf of itself and the Notes Secured Parties represented by it) and the ABL Agent (on behalf of itself and the ABL Secured Parties) agrees that it will not institute any suit or other proceeding or assert in any suit, Insolvency Proceeding or other proceeding any claim, in the case of the Notes Collateral Agent and each Notes Secured Party, against either the ABL Agent or any other ABL Secured Party, and in the case of the ABL Agent and each other ABL Secured Party, against either the Notes Collateral Agent or any other Notes Secured Party, seeking damages from or other relief by way of specific performance, instructions or otherwise, with respect to, any action taken or omitted to be taken by such Person with respect to the Collateral which is consistent with the terms of this Agreement, and none of such parties shall be liable for any such action taken or omitted to be taken.

(b) Release of Liens.

(i) In the event of (A) any private or public sale of all or any portion of the ABL Priority Collateral in connection with any Exercise of Secured Creditor Remedies by the ABL Agent or by the ABL Loan Parties with the consent of the ABL Agent, or (B) any sale, transfer or other disposition of all or any portion of the ABL Priority Collateral, so long as such sale, transfer or other disposition is then permitted by the ABL Documents and the Notes Documents or consented to by the requisite ABL Lenders and the requisite Notes Secured Parties, each Notes Collateral Agent agrees, on behalf of itself and the Notes Secured Parties represented by it, that such sale, transfer or other disposition will be free and clear of the Liens on such ABL Priority Collateral securing the Notes Obligations, and the Notes Collateral Agents' and the Notes Secured Parties' Liens with respect to the ABL Priority Collateral so sold, transferred, or disposed shall terminate and be automatically released without further action

concurrently with, and to the same extent as, the release of the ABL Secured Parties' Liens on such ABL Priority Collateral; provided, that the Liens of the parties shall attach to the proceeds of any such disposition of the ABL Priority Collateral with the same relative priority as the Liens which attached to the ABL Priority Collateral so released. In furtherance of, and subject to, the foregoing, each Notes Collateral Agent agrees that it will promptly execute any and all Lien releases or other documents reasonably requested by the ABL Agent in connection therewith. Each Notes Collateral Agent hereby appoints the ABL Agent and any officer or duly authorized person of the ABL Agent, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power of attorney in the place and stead of such Notes Collateral Agent and in the name of such Notes Collateral Agent or in the ABL Agent's own name, from time to time, in the ABL Agent's sole discretion, for the purposes of carrying out the terms of this paragraph, to take any and all appropriate action and to execute and deliver any and all documents and instruments as may be necessary or desirable to accomplish the purposes of this paragraph, including any financing statements, endorsements, assignments, releases or other documents or instruments of transfer (which appointment, being coupled with an interest, is irrevocable).

(ii) In the event of (A) any private or public sale of all or any portion of the Notes Priority Collateral in connection with any Exercise of Secured Creditor Remedies by the Designated Notes Collateral Agent or by the Notes Secured Parties with the consent of the Designated Notes Collateral Agent, or (B) any sale, transfer or other disposition of all or any portion of the Notes Priority Collateral, so long as such sale, transfer or other disposition is then permitted by the Notes Documents and the ABL Documents or consented to by the requisite Notes Secured Parties and the requisite ABL Lenders, the ABL Agent agrees, on behalf of itself and the ABL Secured Parties, that such sale, transfer or disposition will be free and clear of the Liens on such Notes Priority Collateral securing the ABL Obligations and the ABL Agent's and the ABL Secured Parties' Liens with respect to the Notes Priority Collateral so sold, transferred, or disposed shall terminate and be automatically released without further action concurrently with, and to the same extent as, the release of the Notes Secured Parties' Liens on such Notes Priority Collateral; provided, that the Liens of the parties shall attach to the proceeds of any such disposition of the Notes Priority Collateral with the same relative priority as the Liens which attached to the Notes Priority Collateral so released. In furtherance of, and subject to, the foregoing, the ABL Agent agrees that it will promptly execute any and all Lien releases or other documents reasonably requested by the Designated Notes Collateral Agent in connection therewith. The ABL Agent hereby appoints the Designated Notes Collateral Agent and any officer or duly authorized person of the Designated Notes Collateral Agent, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power of attorney in the place and stead of the ABL Agent and in the name of the ABL Agent or in the Designated Notes Collateral Agent's own name, from time to time, in the Designated Notes Collateral Agent's sole discretion, for the purposes of carrying out the terms of this paragraph, to take any and all appropriate action and to execute and deliver any and all documents and instruments as may be necessary or desirable to accomplish the purposes of this paragraph, including any financing statements, endorsements, assignments, releases or other documents or instruments of transfer (which appointment, being coupled with an interest, is irrevocable).

Section 2.5 No New Liens Until the Discharge of ABL Obligations, and for so long as the Notes Obligations are secured by any ABL Priority Collateral, the parties hereto agree that no Notes Secured Party shall acquire or hold any Lien on any assets (except that with respect to

any real property, the ABL Agent may elect not to acquire or hold a Lien on any real property of the Loan Parties) of any Loan Party securing any Notes Obligation which assets are not also subject to the Lien of the ABL Agent under the ABL Documents. If any Notes Secured Party shall nonetheless acquire or hold any Lien on any assets (other than real property if the ABL Agent elected not to acquire or hold a Lien on any real property of the Loan Parties) of any Loan Party securing any Notes Obligation which assets are not also subject to the Lien of the ABL Agent under the ABL Documents, then the applicable Notes Collateral Agent (or the relevant Notes Secured Party) shall, without the need for any further consent of any other Notes Secured Party, any Issuer or any Notes Guarantor and notwithstanding anything to the contrary in any other Notes Document, be deemed to also hold and have held such Lien as agent or bailee for the benefit of the ABL Agent as security for the ABL Obligations (subject to the Lien Priority and other terms hereof) and shall promptly notify the ABL Agent in writing of the existence of such Lien.

(b) Until the Discharge of Notes Obligations, and for so long as the ABL Obligations are secured by any Notes Priority Collateral, the parties hereto agree that, except for the Canadian Collateral and the European Collateral, no ABL Secured Party shall acquire or hold any Lien on any assets of any Loan Party securing any ABL Obligation which assets are not also subject to the Lien of the Notes Collateral Agents under the Notes Documents. If any ABL Secured Party shall nonetheless acquire or hold any Lien on any assets of any Loan Party (other than the Canadian Collateral and the European Collateral) securing any ABL Obligation which assets are not also subject to the Lien of the Notes Collateral Agents under the Notes Documents, then the ABL Agent (or the relevant ABL Secured Party) shall, without the need for any further consent of any other ABL Secured Party, any ABL Borrower or any ABL Guarantor and notwithstanding anything to the contrary in any other ABL Document, be deemed to also hold and have held such Lien as agent or bailee for the benefit of the Notes Collateral Agents as security for the Notes Obligations (subject to the Lien Priority and other terms hereof) and shall promptly notify the Notes Collateral Agents in writing of the existence of such Lien.

Section 2.6 Waiver of Marshalling.

(a) Until the Discharge of ABL Obligations, each Notes Collateral Agent, on behalf of itself and the Notes Secured Parties represented by it, agrees not to assert and hereby waives, to the fullest extent permitted by law, any right to demand, request, plead or otherwise assert or otherwise claim the benefit of, any marshalling, appraisal, valuation or other similar right that may otherwise be available under applicable law with respect to the ABL Priority Collateral or any other similar rights a junior secured creditor may have under applicable law.

(b) Until the Discharge of Notes Obligations, the ABL Agent, on behalf of itself and the ABL Secured Parties, agrees not to assert and hereby waives, to the fullest extent permitted by law, any right to demand, request, plead or otherwise assert or otherwise claim the benefit of, any marshalling, appraisal, valuation or other similar right that may otherwise be available under applicable law with respect to the Notes Priority Collateral or any other similar rights a junior secured creditor may have under applicable law

ARTICLE 3
ACTIONS OF THE PARTIES

Section 3.1 Certain Actions Permitted. The Notes Collateral Agents and the ABL Agent may make such demands or file such claims in respect of the Notes Obligations or the ABL Obligations, as applicable, as are necessary to prevent the waiver or bar of such claims under applicable statutes of limitations or other statutes, court orders, or rules of procedure at any time.

Section 3.2 Agent for Perfection. The ABL Agent, for and on behalf of itself and each ABL Secured Party, and each Notes Collateral Agent, for and on behalf of itself and each Notes Secured Party represented by it, as applicable, each agrees to hold all Collateral in its respective possession, custody, or control (including as defined in Sections 9-104, 9-105, 9-106, 9-107 and 8-106 of the UCC) (or in the possession, custody, or control of agents or bailees for either) as agent for the other solely for the purpose of perfecting the security interest granted to each in such Collateral, subject to the terms and conditions of this Section 3.2. None of the ABL Agent, the ABL Secured Parties, the Notes Collateral Agents, or the Notes Secured Parties, as applicable, shall have any obligation whatsoever to the others to assure that the Collateral is genuine or owned by any Borrower, any Guarantor, or any other Person or to preserve rights or benefits of any Person. The duties or responsibilities of the ABL Agent and the Notes Collateral Agents under this Section 3.2 are and shall be limited solely to holding or maintaining control of the Control Collateral as agent for the other party for purposes of perfecting the Lien held by the Notes Collateral Agents or the ABL Agent, as applicable. The ABL Agent is not and shall not be deemed to be a fiduciary of any kind for the Notes Secured Parties or any other Person. Without limiting the generality of the foregoing, except as provided herein, the ABL Secured Parties shall not be obligated to see to the application of any Proceeds of the Notes Priority Collateral deposited into any Deposit Account or be answerable in any way for the misapplication thereof. Each Notes Collateral Agent is not and shall not be deemed to be a fiduciary of any kind for the ABL Secured Parties, or any other Person.

Section 3.3 Insurance. Proceeds of Collateral include insurance proceeds and, therefore, the Lien Priority shall govern the ultimate disposition of casualty insurance proceeds. The ABL Agent and the Designated Notes Collateral Agent shall each be named as additional insured or loss payee, as applicable, with respect to all insurance policies relating to the Collateral as set forth in the ABL Credit Agreement or the Notes Documents, as applicable. Until Discharge of ABL Obligations, the ABL Agent shall have the sole and exclusive right, as against the Notes Collateral Agents, to adjust settlement of insurance claims in the event of any covered loss, theft or destruction of ABL Priority Collateral and take other such actions with respect to insurance covering the ABL Priority Collateral as set forth in the ABL Credit Agreement. Until Discharge of Notes Obligations, the Designated Notes Collateral Agent shall have the sole and exclusive right, as against the ABL Agent, to adjust settlement of insurance claims in the event of any covered loss, theft or destruction of Notes Priority Collateral and take other such actions with respect to insurance covering the Notes Priority Collateral as set forth in the Notes Documents. To the extent that an insured claim covers both ABL Priority Collateral and Notes Priority Collateral, then the ABL Agent and the Designated Notes Collateral Agent will work jointly and in good faith to collect, adjust and/or settle under the insurance policy, as applicable. If the parties are unable after negotiating in good faith to agree on the collection,

adjustment or settlement for such claim and the insurer will not settle such claim separately with respect to ABL Priority Collateral and Notes Priority Collateral, either party may apply to a court of competent jurisdiction, at the sole cost and expense of the Issuer, to make a determination as to the settlement of such claim, and the court's determination shall be binding upon the parties. All proceeds of such insurance shall be remitted to the ABL Agent or the Designated Notes Collateral Agent, as the case may be, and each of the Designated Notes Collateral Agent and ABL Agent shall cooperate (if necessary) in a reasonable manner in effecting the payment of insurance proceeds in accordance with Section 4.1 hereof.

Section 3.4 Inspection and Access Rights.

(a) Without limiting any rights the ABL Agent or any other ABL Secured Party may otherwise have under applicable law or by agreement, in the event of any liquidation of the ABL Priority Collateral (or any other Exercise of Any Secured Creditor Remedies by the ABL Agent) and whether or not any Notes Collateral Agent or any other Notes Secured Party has commenced and is continuing to Exercise Any Secured Creditor Remedies of any Notes Collateral Agent, the ABL Agent or any other Person (including any ABL Loan Party) acting with the consent, or on behalf, of the ABL Agent, shall have the right (a) during the Use Period or otherwise in connection with the conducting of audits and appraisals in the ordinary course, during normal business hours on any Business Day, to access ABL Priority Collateral that (i) is stored or located in or on, or (ii) has become an accession with respect to (within the meaning of Section 9-335 of the Uniform Commercial Code), or (iii) has been commingled with (within the meaning of Section 9-336 of the Uniform Commercial Code), Notes Priority Collateral, and (b) during the Use Period, shall have the right to use the Notes Priority Collateral, each of the foregoing in order to assemble, inspect, copy or download information stored on, take action to perfect its Liens on, complete a production run of inventory, take possession of, move, prepare and advertise for sale, sell (by public auction, private sale or a "store closing", "going out of business" or similar sale, whether in bulk, in lots or to customers in the ordinary course of business or otherwise and which sale may include augmented Inventory of the same type sold in the any ABL Loan Party's business), store or otherwise deal with the ABL Priority Collateral, in each case without notice to, the involvement of or interference by any Notes Secured Party or liability to any Notes Secured Party. In the event that any ABL Secured Party has commenced and is continuing the Exercise of Any Secured Creditor Remedies with respect to any ABL Priority Collateral or any other sale or liquidation of the ABL Priority Collateral has been commenced by an ABL Loan Party (with the consent of the ABL Agent), the Notes Collateral Agents may not sell, assign or otherwise transfer the related Notes Priority Collateral prior to the expiration of the Use Period, unless the purchaser, assignee or transferee thereof agrees to be bound by the provisions of this Section 3.4.

(b) During the period of actual occupation, use and/or control by the ABL Secured Parties and/or the ABL Agent (or their respective employees, agents, advisers and representatives) of any Notes Priority Collateral, the ABL Secured Parties and the ABL Agent shall be obligated to repair at their expense any physical damage (but not any other diminution in value) to such Notes Priority Collateral resulting from such occupancy, use or control, and to leave such Notes Priority Collateral in substantially the same condition as it was at the commencement of such occupancy, use or control, ordinary wear and tear excepted. Notwithstanding the foregoing, in no event shall the ABL Secured Parties or the ABL Agent

have any liability to the Notes Secured Parties and/or to the Notes Collateral Agents pursuant to this Section 3.4 as a result of any condition (including any environmental condition, claim or liability) on or with respect to the Notes Priority Collateral existing prior to the date of the exercise by the ABL Secured Parties (or the ABL Agent, as the case may be) of their rights under this Section 3.4 and the ABL Secured Parties shall have no duty or liability to maintain the Notes Priority Collateral in a condition or manner better than that in which it was maintained prior to the use thereof by the ABL Secured Parties, or for any diminution in the value of the Notes Priority Collateral that results from ordinary wear and tear resulting from the use of the Notes Priority Collateral by the ABL Secured Parties in the manner and for the time periods specified under this Section 3.4. Without limiting the rights granted in this Section 3.4, the ABL Secured Parties and the ABL Agent shall cooperate with the Notes Secured Parties and/or the Notes Collateral Agents in connection with any efforts made by the Notes Secured Parties and/or the Notes Collateral Agents to sell the Notes Priority Collateral.

(c) Except as provided in clauses (b) and (d) of this Section 3.4, the ABL Agent and the ABL Secured Parties shall not be obligated to pay any amounts to the Notes Collateral Agents or the Notes Secured Parties (or any person claiming by, through or under the Notes Secured Parties, including any purchaser of the Notes Priority Collateral) or to the ABL Loan Parties, for or in respect of the use by the ABL Agent and the ABL Secured Parties of the Notes Priority Collateral.

(d) The ABL Secured Parties shall (i) use the Notes Priority Collateral in accordance with applicable law; (ii) insure for damage to property and liability to persons, including property and liability insurance for the benefit of the Notes Secured Parties; and (iii) indemnify the Notes Secured Parties from any claim, loss, damage, cost or liability arising from the ABL Secured Parties' use of the Notes Priority Collateral (except for those arising from the gross negligence or willful misconduct of any Notes Secured Party).

(e) The Notes Collateral Agents and the other Notes Secured Parties shall use commercially reasonable efforts to not hinder or obstruct the ABL Agent and the other ABL Secured Parties from exercising the rights described in Section 3.4(a) hereof.

(f) In furtherance of the foregoing in this Section 3.4, the Notes Collateral Agents and the Notes Secured Parties, in their capacity as a secured party (or as a purchaser, assignee or transferee, as applicable), and to the extent of its interest therein, hereby grants to the ABL Agent and the ABL Secured Parties during the Use Period a nonexclusive, irrevocable, royalty-free, worldwide license to use, license or sublicense any and all Intellectual Property now owned or hereafter acquired included as part of the Notes Priority Collateral (and including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof) as is or may be necessary or advisable in the ABL Agent's reasonable judgment for the ABL Agent to process, ship, produce, store, supply, lease, complete, sell, liquidate or otherwise deal with the ABL Priority Collateral, or to collect or otherwise realize upon any Accounts (as defined in the ABL Credit Agreement) comprising ABL Priority Collateral, in each case solely in connection with any Exercise of Secured Creditor Remedies; provided that (i) any such license shall terminate upon the sale of the applicable ABL Priority Collateral and shall not extend or transfer to the purchaser of such ABL Priority Collateral, (ii) the ABL Agent's use of such

Intellectual Property shall be reasonable and lawful, and (iii) any such license is granted on an “AS IS” basis, without any representation or warranty whatsoever. Furthermore, each Notes Collateral Agent agrees that, in connection with any Exercise of Secured Creditor Remedies conducted by each Notes Collateral Agent in respect of Notes Priority Collateral, such Notes Collateral Agent shall provide written notice to any purchaser, assignee or transferee of Intellectual Property pursuant to an Exercise of Secured Creditor Remedies that the applicable Intellectual Property is subject to such license.

(g) In the event that the ABL Agent shall, in the exercise of its rights under the ABL Collateral Documents or otherwise, receive possession or control of any books and records of any Notes Loan Party which contain information identifying or pertaining to the Notes Priority Collateral, the ABL Agent shall, upon request from the Designated Notes Collateral Agent and as promptly as practicable thereafter, either make available to the Designated Notes Collateral Agent such books and records for inspection and duplication or provide to the Designated Notes Collateral Agent copies thereof. In the event that any Notes Collateral Agent shall, in the exercise of its rights under the Notes Collateral Documents or otherwise, receive possession or control of any books and records of any ABL Loan Party which contain information identifying or pertaining to any of the ABL Priority Collateral, such Notes Collateral Agent shall, upon request from the ABL Agent and as promptly as practicable thereafter, either make available to the ABL Agent such books and records for inspection and duplication or provide the ABL Agent copies thereof.

Section 3.5 Tracing of and Priorities in Proceeds. The ABL Agent, for itself and on behalf of the ABL Secured Parties, and each Notes Collateral Agent, for itself and on behalf of the Notes Secured Parties represented by it, further agree that prior to an issuance of any notice of Exercise of Any Secured Creditor Remedies by such Secured Party (unless a bankruptcy or insolvency Event of Default then exists), any Proceeds of Collateral, whether or not deposited under control agreements, which are used by any Loan Party to acquire other property which is Collateral shall not (solely as between the Agents and the Lenders) be treated as Proceeds of Collateral for purposes of determining the relative priorities in the Collateral which was so acquired.

Section 3.6 Payments Over.

(a) So long as the Discharge of ABL Obligations has not occurred, any ABL Priority Collateral or Proceeds thereof not constituting Notes Priority Collateral received by any Notes Collateral Agent or any Notes Secured Parties in connection with the exercise of any right or remedy (including set off) relating to the ABL Priority Collateral in contravention of this Agreement shall be segregated and held in trust and forthwith paid over to the ABL Agent for the benefit of the ABL Secured Parties in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct. The ABL Agent is hereby authorized to make any such endorsements as agent for the Notes Collateral Agents or any such Notes Secured Parties. This authorization is coupled with an interest and is irrevocable until such time as this Agreement is terminated in accordance with its terms.

(b) So long as the Discharge of Notes Obligations has not occurred, any Notes Priority Collateral or Proceeds thereof not constituting ABL Priority Collateral received

by the ABL Agent or any other ABL Secured Party in connection with the exercise of any right or remedy (including set off) relating to the Notes Priority Collateral in contravention of this Agreement shall be segregated and held in trust and forthwith paid over to the Designated Notes Collateral Agent for the benefit of the Notes Secured Parties in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct. The Designated Notes Collateral Agent is hereby authorized to make any such endorsements as agent for the ABL Agent or any such other ABL Secured Parties. This authorization is coupled with an interest and is irrevocable until such time as this Agreement is terminated in accordance with its terms.

(c) Nothing in this Agreement shall prohibit the receipt by the ABL Agent or the Notes Collateral Agents or any Secured Party of payments of interest, principal and other amounts owed in respect of the ABL Obligations or the Notes Obligations so long as such receipt is not the direct or indirect result of the Exercise of Any Secured Creditor Remedies by the ABL Agent or the Notes Collateral Agents or any Secured Party in contravention of this Agreement with respect to any Lien held by any of them.

ARTICLE 4 **APPLICATION OF PROCEEDS**

Section 4.1 Application of Proceeds.

(a) **Revolving Nature of ABL Obligations.** Each Notes Collateral Agent, for and on behalf of itself and the Notes Secured Parties represented by it, expressly acknowledges and agrees that (i) the ABL Credit Agreement includes a revolving commitment, that in the ordinary course of business the ABL Agent and the ABL Lenders will apply payments and make advances thereunder, and that no application of any Collateral consisting of cash or cash equivalents or the release of any Lien by the ABL Agent upon any portion of the ABL Priority Collateral in connection with a permitted disposition by the ABL Loan Parties under any ABL Credit Agreement shall constitute the Exercise of Secured Creditor Remedies under this Agreement; (ii) the amount of the ABL Obligations that may be outstanding at any time or from time to time may be increased or reduced and subsequently reborrowed, and that the terms of the ABL Obligations may be modified, extended or amended from time to time, and that the aggregate amount of the ABL Obligations may be increased, replaced or refinanced, in each event, without notice to or consent by the Notes Secured Parties and without affecting the provisions hereof; and (iii) all Collateral consisting of cash or cash equivalents received by the ABL Agent may be applied, reversed, reapplied, reborrowed or credited, in whole or in part, to the ABL Obligations at any time; provided, however, that from and after the date on which the ABL Agent (or any ABL Secured Party) or any Notes Collateral Agent (or any Notes Secured Party) commences the Exercise of Any Secured Creditor Remedies, all amounts received by the ABL Agent or any ABL Lender shall be applied as specified in Sections 4.1(b) and (c). The Lien Priority shall not be altered or otherwise affected by any such amendment, modification, supplement, extension, repayment, reborrowing, increase, replacement, renewal, restatement or refinancing of either the ABL Obligations or the Notes Obligations, or any portion thereof.

(b) **Application of Proceeds of ABL Priority Collateral.** The ABL Agent and the Notes Collateral Agents hereby agree that all ABL Priority Collateral, ABL Priority

Proceeds and all other Proceeds thereof, received by either of them in connection with any Exercise of Secured Creditor Remedies with respect to the ABL Priority Collateral shall be applied,

first, to the payment of costs and expenses of the ABL Agent in connection with such Exercise of Secured Creditor Remedies to the extent provided in the ABL Documents,

second, to the payment of the ABL Obligations in accordance with the ABL Documents until the Discharge of ABL Obligations shall have occurred,

third, other than with respect to the Canadian Collateral and the European Collateral, in which the Notes Collateral Agents have no claim or Lien, and any real estate collateral as to which the Notes Collateral Agents elected not to acquire or hold a Lien, to the payment of the Notes Obligations in accordance with the Notes Documents (including the Notes Pari Passu Intercreditor Agreement, if then in effect) until the Discharge of Notes Obligations shall have occurred, and

fourth, the balance, if any, to the Loan Parties or as a court of competent jurisdiction may direct.

(c) Application of Proceeds of Notes Priority Collateral. The ABL Agent and the Notes Collateral Agent hereby agree that all Notes Priority Collateral, Notes Priority Proceeds and all other Proceeds thereof, received by either of them in connection with any Exercise of Secured Creditor Remedies with respect to the Notes Priority Collateral shall be applied,

first, to the payment of costs and expenses of the Notes Collateral Agents in connection with such Exercise of Secured Creditor Remedies to the extent provided in the Notes Documents,

second, to the payment of the Notes Obligations in accordance with the Notes Documents (including the Notes Pari Passu Intercreditor Agreement, if then in effect) until the Discharge of Notes Obligations shall have occurred,

third, other than with respect to any real estate collateral as to which the ABL Collateral Agent elected not to acquire or hold a Lien, to the payment of the ABL Obligations in accordance with the ABL Documents until the Discharge of ABL Obligations shall have occurred, and

fourth, the balance, if any, to the Loan Parties or as a court of competent jurisdiction may direct.

(d) Limited Obligation or Liability. In exercising remedies, whether as a secured creditor or otherwise, the ABL Agent shall have no obligation or liability to the Notes Collateral Agents or to any Notes Secured Party, and the Notes Collateral Agents shall have no obligation or liability to the ABL Agent or any ABL Secured Party, regarding the adequacy of any Proceeds or for any action or omission, except solely for an action or omission that

breaches the express obligations undertaken by each party under the terms of this Agreement. Notwithstanding anything to the contrary herein contained, none of the parties hereto waives any claim that it may have against a Secured Party on the grounds that any sale, transfer or other disposition by the Secured Party was not commercially reasonable in every respect as required by the Uniform Commercial Code.

(e) Turnover of Collateral. Upon the Discharge of ABL Obligations, the ABL Agent shall deliver to the Designated Notes Collateral Agent or shall execute such documents as the Designated Notes Collateral Agent may reasonably request (at the expense of the Issuer) to enable the Designated Notes Collateral Agent to have control over any Control Collateral still in the ABL Agent's possession, custody, or control in the same form as received with any necessary endorsements, or as a court of competent jurisdiction may otherwise direct, subject to the reinstatement provisions of Section 5.3 below. Upon the Discharge of Notes Obligations, the Notes Collateral Agents shall deliver to the ABL Agent or shall execute such documents as the ABL Agent may reasonably request (at the expense of the ABL Borrowers) to enable the ABL Agent to have control over any Control Collateral still in any Notes Collateral Agent's possession, custody or control in the same form as received with any necessary endorsements, or as a court of competent jurisdiction may otherwise direct, subject to the reinstatement provisions of Section 5.3 below.

Section 4.2 Specific Performance. Each of the ABL Agent and each Notes Collateral Agent is hereby authorized to demand specific performance of this Agreement, whether or not any Borrower or any Guarantor shall have complied with any of the provisions of any of the Credit Documents, at any time when the other party shall have failed to comply with any of the provisions of this Agreement applicable to it. Each of the ABL Agent, for and on behalf of itself and the ABL Secured Parties, and each Notes Collateral Agent, for and on behalf of itself and the Notes Secured Parties represented by it, hereby irrevocably waives any defense based on the adequacy of a remedy at law that might be asserted as a bar to such remedy of specific performance.

ARTICLE 5

INTERCREDITOR ACKNOWLEDGEMENTS AND WAIVERS

Section 5.1 Notice of Acceptance and Other Waivers.

(a) All ABL Obligations at any time made or incurred by any Borrower or any Guarantor shall be deemed to have been made or incurred in reliance upon this Agreement, and each Notes Collateral Agent, on behalf of itself and the Notes Secured Parties represented by it, hereby waives notice of acceptance, or proof of reliance by the ABL Agent or any ABL Secured Party of this Agreement and notice of the existence, increase, renewal, extension, accrual, creation, or non-payment of all or any part of the ABL Obligations. All Notes Obligations at any time made or incurred by any Borrower or any Guarantor shall be deemed to have been made or incurred in reliance upon this Agreement, and the ABL Agent, on behalf of itself and the ABL Secured Parties, hereby waives notice of acceptance, or proof of reliance, by the Notes Collateral Agents or any Notes Secured Party of this Agreement and notice of the existence, increase, renewal, extension, accrual, creation, or non-payment of all or any part of the Notes Obligations.

(b) None of the ABL Agent, any ABL Secured Party, or any of their respective Affiliates, directors, officers, employees, or agents shall be liable for failure to demand, collect, or realize upon any of the Collateral or any Proceeds, or for any delay in doing so, or shall be under any obligation to sell or otherwise dispose of any Collateral or Proceeds thereof or to take any other action whatsoever with regard to the Collateral or any part or Proceeds thereof, except as specifically provided in this Agreement. If the ABL Agent or any ABL Secured Party honors (or fails to honor) a request by any Borrower for an extension of credit pursuant to any ABL Credit Agreement or any of the other ABL Documents, whether the ABL Agent or any ABL Secured Party have knowledge that the honoring of (or failure to honor) any such request would constitute a default under the terms of any Indenture or any other Notes Document or an act, condition, or event that, with the giving of notice or the passage of time, or both, would constitute such a default, or if the ABL Agent or any ABL Secured Party otherwise should exercise any of its contractual rights or remedies under any ABL Documents (subject to the express terms and conditions hereof), neither the ABL Agent nor any ABL Secured Party shall have any liability whatsoever to any Notes Collateral Agent or any Notes Secured Party as a result of such action, omission, or exercise (so long as any such exercise does not breach the express terms and provisions of this Agreement). The ABL Agent and the ABL Secured Parties shall be entitled to manage and supervise their loans and extensions of credit under any ABL Credit Agreement and any of the other ABL Documents as they may, in their sole discretion, deem appropriate, and may manage their loans and extensions of credit without regard to any rights or interests that the Notes Collateral Agents or any of the Notes Secured Parties have in the Collateral, except as otherwise expressly set forth in this Agreement. Each Notes Collateral Agent, on behalf of itself and the Notes Secured Parties represented by it, agrees that neither the ABL Agent nor any ABL Secured Party shall incur any liability as a result of a sale, lease, license, application, or other disposition of all or any portion of the Collateral or Proceeds thereof, pursuant to the ABL Documents, so long as such disposition is conducted in accordance with mandatory provisions of applicable law and does not breach the provisions of this Agreement.

(c) None of the Notes Collateral Agents, any Notes Secured Party or any of their respective Affiliates, directors, officers, employees, or agents shall be liable for failure to demand, collect, or realize upon any of the Collateral or any Proceeds, or for any delay in doing so, or shall be under any obligation to sell or otherwise dispose of any Collateral or Proceeds thereof or to take any other action whatsoever with regard to the Collateral or any part or Proceeds thereof, except as specifically provided in this Agreement. If any Notes Collateral Agent or any Notes Secured Party honors (or fails to honor) a request by the Issuer for an extension of credit pursuant to the Indenture or any of the other Notes Documents, whether such Notes Collateral Agent or any Notes Secured Party has knowledge that the honoring of (or failure to honor) any such request would constitute a default under the terms of the ABL Credit Agreement or any other ABL Document, or an act, condition, or event that, with the giving of notice or the passage of time, or both, would constitute a default under any Notes Document, or if any Notes Collateral Agent or any Notes Secured Party otherwise should exercise any of its contractual rights or remedies under the Notes Documents (subject to the express terms and conditions hereof), neither the Notes Collateral Agents nor any Notes Secured Party shall have any liability whatsoever to the ABL Agent or any ABL Secured Party as a result of such action, omission, or exercise (so long as any such exercise does not breach the express terms and provisions of this Agreement). The Notes Collateral Agents and the Notes Secured Parties shall

be entitled to manage and supervise their loans and extensions of credit under the Notes Documents as they may, in their sole discretion, deem appropriate, and may manage their loans and extensions of credit without regard to any rights or interests that the ABL Agent or any ABL Secured Party has in the Collateral, except as otherwise expressly set forth in this Agreement. The ABL Agent, on behalf of itself and the ABL Secured Parties, agrees that none of the Notes Collateral Agents or the Notes Secured Parties shall incur any liability as a result of a sale, lease, license, application, or other disposition of the Collateral or any part or Proceeds thereof, pursuant to the Notes Documents, so long as such disposition is conducted in accordance with mandatory provisions of applicable law and does not breach the provisions of this Agreement.

Section 5.2 Modifications to Notes Documents; Refinancings and Additional Indebtedness.

(a) Each Notes Collateral Agent, on behalf of itself and the Notes Secured Parties represented by it, hereby agrees that, without affecting the obligations of the Notes Collateral Agents and the Notes Secured Parties hereunder, the ABL Agent and the ABL Secured Parties may, at any time and from time to time, in their sole discretion without the consent of or notice to the Notes Collateral Agents or any Notes Secured Party, and without incurring any liability to the Notes Collateral Agents or any Notes Secured Party or impairing or releasing the Lien Priority provided for herein, amend, restate, supplement, replace, refinance, extend, consolidate, restructure, increase or otherwise modify any of the ABL Documents in any manner whatsoever, other than in a manner which would have the effect of contravening the terms of this Agreement or the Notes Documents.

(b) The ABL Agent, on behalf of itself and the ABL Secured Parties, hereby agree that, without affecting the obligations of the ABL Agent and the ABL Secured Parties hereunder, the Notes Collateral Agents and the Notes Secured Parties may, at any time and from time to time, in their sole discretion without the consent of or notice to the ABL Agent or any ABL Secured Party, and without incurring any liability to the ABL Agent or any ABL Secured Party or impairing or releasing the Lien Priority provided for herein, amend, restate, supplement, replace, refinance, extend, consolidate, restructure, increase or otherwise modify any of the Notes Documents in any manner whatsoever other than in a manner which would have the effect of contravening the terms of this Agreement or the ABL Documents. For clarity, the Notes Collateral Agents and the Notes Secured Parties shall not obtain a Lien on the Canadian Collateral or the European Collateral, and the granting of such Lien shall be deemed in contravention of the terms of this Agreement.

(c) The ABL Obligations and the Notes Obligations may be increased, restated, amended and restated, supplemented, modified, restructured, replaced, amended or refinanced, in whole or in part, in each case, without notice to, or the consent (except to the extent a consent is required to permit the refinancing transaction under any ABL Document or any Notes Document) of the ABL Agent, the ABL Secured Parties, the Notes Collateral Agents or the Notes Secured Parties, as the case may be, all without affecting the Lien Priority provided for herein or the other provisions hereof, provided, however, that the holders of such new, amended, restructured or refinancing Indebtedness (or an authorized agent or trustee on their behalf) bind themselves in writing to the terms of this Agreement pursuant to such documents

or agreements (including amendments or supplements to this Agreement) as the ABL Agent or the Designated Notes Collateral Agent, as the case may be, shall reasonably request and in form and substance reasonably acceptable to the ABL Agent or the Designated Notes Collateral Agent, as the case may be, and any such increase, restatement, amendment and restatement, supplement, modification, replacement, restructuring, amendment or refinancing transaction shall be in accordance with any applicable provisions of both the ABL Documents and the Notes Documents (to the extent such documents survive such increase, restatement, amendment and restatement, supplement, modification, replacement, restructuring, amendment or refinancing).

(d) In addition, solely to the extent then permitted under the ABL Documents and Notes Documents, the Borrower may designate Additional Notes Debt without the consent of any Secured Parties, all without affecting the Lien Priority, provided that the lenders providing or holders of any such Indebtedness (or an authorized agent or trustee on their behalf) bind themselves in writing to the terms of this Agreement pursuant to a Joinder Agreement or such documents or agreements (including amendments or supplements to this Agreement) as any Agent shall reasonably request that are in form and substance reasonably acceptable to the Agents. The Agents shall be entitled to rely conclusively on the determination of the Borrower that the incurrence of such Additional Notes Debt does not violate the provisions of the ABL Documents, the Notes Documents or this Agreement if such determination is set forth in an Officers' Certificate delivered to such party and the Agents; provided, however, that such determination will not affect whether or not the Borrower or applicable Guarantor has complied with its undertakings in the ABL Documents or the Notes Documents.

(e) In addition to the foregoing, this Agreement may be amended or amended and restated at any time at the request and sole expense of the Borrower, and without the consent of any Secured Parties to add, replace or remove any Secured Party (including any Agent) that has otherwise acceded to, been replaced as a party to or been removed from, and in accordance with, as the case may be, the ABL Documents or Notes Documents, and to make related changes to give effect to such addition, replacement or removal, as the case may be, in each case in connection with any refinancing, replacement, increase, extension, renewal, restatement, supplement, restructuring, or other amendment or modification of the ABL Documents or Notes Documents in compliance with the ABL Documents, the Notes Documents and this Agreement. The Agents shall be entitled to rely conclusively on the determination of the Borrower that such modifications do not violate the provisions of the ABL Documents, the Notes Documents and this Agreement if such determination is set forth in an Officers' Certificate delivered to the Agents; provided, however, that such determination will not affect whether or not the Borrower or applicable Guarantor has complied with its undertakings in the ABL Documents, the Notes Documents or this Agreement.

(f) ABL Agent and each Notes Collateral Agent each (i) will use its commercially reasonable efforts to notify the other parties of any written amendment or modification to any ABL Document or any Notes Document, as applicable, but the failure to do so will not create a cause of action against the party failing to give such notice or create any claim or right on behalf of any third party or impact the effectiveness of any such amendment or modification, and (ii) will, upon request of the other party, provide copies of all such

modifications or amendments and copies of all other relevant documentation to the other Persons.

Section 5.3 Reinstatement and Continuation of Agreement.

(a) If the ABL Agent or any ABL Secured Party is required in any Insolvency Proceeding or otherwise to turn over or otherwise pay to the estate of any Borrower, any Guarantor, or any other Person any payment made in satisfaction of all or any portion of the ABL Obligations (an “**ABL Recovery**”), then the ABL Obligations shall be reinstated to the extent of such ABL Recovery. If this Agreement shall have been terminated prior to such ABL Recovery, this Agreement shall be reinstated in full force and effect in the event of such ABL Recovery, and such prior termination shall not diminish, release, discharge, impair, or otherwise affect the obligations of the parties from such date of reinstatement. All rights, interests, agreements, and obligations of the ABL Agent, the Notes Collateral Agents, the ABL Secured Parties, and the Notes Secured Parties under this Agreement shall remain in full force and effect and shall continue irrespective of the commencement of, or any discharge, confirmation, conversion, or dismissal of, any Insolvency Proceeding by or against any Borrower or any Guarantor or any other circumstance which otherwise might constitute a defense available to, or a discharge of any Borrower or any Guarantor in respect of the ABL Obligations or the Notes Obligations. No priority or right of the ABL Agent or any ABL Secured Party shall at any time be prejudiced or impaired in any way by any act or failure to act on the part of any Borrower or any Guarantor or by the noncompliance by any Person with the terms, provisions, or covenants of any of the ABL Documents, regardless of any knowledge thereof which the ABL Agent or any ABL Secured Party may have.

(b) If any Notes Collateral Agent or any Notes Secured Party is required in any Insolvency Proceeding or otherwise to turn over or otherwise pay to the estate of any Borrower, any Guarantor, or any other Person any payment made in satisfaction of all or any portion of the Notes Obligations (a “**Notes Recovery**”), then the Notes Obligations shall be reinstated to the extent of such Notes Recovery. If this Agreement shall have been terminated prior to such Notes Recovery, this Agreement shall be reinstated in full force and effect in the event of such Notes Recovery, and such prior termination shall not diminish, release, discharge, impair, or otherwise affect the obligations of the parties from such date of reinstatement. All rights, interests, agreements, and obligations of the ABL Agent, the Notes Collateral Agents, the ABL Secured Parties, and the Notes Secured Parties under this Agreement shall remain in full force and effect and shall continue irrespective of the commencement of, or any discharge, confirmation, conversion, or dismissal of, any Insolvency Proceeding by or against any Borrower or any Guarantor or any other circumstance which otherwise might constitute a defense available to, or a discharge of any Borrower or any Guarantor in respect of the ABL Obligations or the Notes Obligations. No priority or right of the Notes Collateral Agents or any Notes Secured Party shall at any time be prejudiced or impaired in any way by any act or failure to act on the part of any Borrower or any Guarantor or by the noncompliance by any Person with the terms, provisions, or covenants of any of the Notes Documents, regardless of any knowledge thereof which any Notes Collateral Agent or any Notes Secured Party may have.

ARTICLE 6

INSOLVENCY PROCEEDINGS

Section 6.1 DIP Financing.

(a) If any Borrower or any Guarantor shall be subject to any Insolvency Proceeding at any time prior to the Discharge of ABL Obligations, and the ABL Agent or any of the ABL Secured Parties shall seek to provide any Borrower or any Guarantor with, or consent to a third party providing, any financing under Section 364 of the Bankruptcy Code or consent to any order for the use of cash collateral constituting ABL Priority Collateral under Section 363 of the Bankruptcy Code (or any similar provision of any foreign Debtor Relief Laws or under a court order in respect of measures granted with similar effect under any foreign Debtor Relief Laws), with such financing to be secured by all or any portion of the ABL Priority Collateral (including assets that, but for the application of Section 552 of the Bankruptcy Code would be ABL Priority Collateral) (each, an “ABL DIP Financing”), then each Notes Collateral Agent, on behalf of itself and the Notes Secured Parties represented by it, agrees that it will raise no objection and will not support any objection to such ABL DIP Financing or use of cash collateral or to the Liens securing the same on any basis, including, without limitation, on the grounds of a failure to provide “adequate protection” for the Liens of the Notes Collateral Agents on the ABL Collateral securing the Notes Obligations (and will not request any adequate protection solely as a result of such ABL DIP Financing or use of cash collateral that is ABL Priority Collateral (except as provided in Section 6.3), and will not offer or support any debtor-in-possession financing which would compete with such ABL DIP Financing); provided that (i) each Notes Collateral Agent retains its Lien on the ABL Priority Collateral (other than the Canadian Collateral and the European Collateral) to secure the Notes Obligations (in each case, including Proceeds thereof arising after the commencement of the case under the any Debtor Relief Laws), subject to the terms hereof, to the Liens in favor of the ABL Secured Parties on the ABL Priority Collateral existing prior to the commencement of such Insolvency Proceeding, to any adequate protection Liens on the ABL Priority Collateral granted in favor of the ABL Obligations and to the senior priority of the ABL DIP Financing on the ABL Priority Collateral and (ii) unless it shall otherwise consent, each Notes Collateral Agent shall retain its Lien on the Notes Priority Collateral with the same priority as existed prior to the commencement of the case under the subject Debtor Relief Laws and any Lien of the ABL Agent (or other provider of ABL DIP Financing) on the Notes Priority Collateral securing such ABL DIP Financing is junior and subordinate to the Lien of the Notes Collateral Agent on the Notes Priority Collateral, (iii) all Liens on ABL Priority Collateral securing any such ABL DIP Financing shall be senior to or on a parity with the Liens of the ABL Agent and the ABL Secured Parties securing the ABL Obligations on ABL Priority Collateral and (iv) the foregoing provisions of this Section 6.1(a) shall not prevent the Notes Collateral Agents and the Notes Secured Parties from objecting to any provision in any ABL DIP Financing relating to any provision or content of a plan of reorganization or other plan of similar effect under any Debtor Relief Laws.

(b) If any Borrower or any Guarantor shall be subject to any Insolvency Proceeding at any time prior to the Discharge of Notes Obligations, and the Notes Collateral Agents or any of the Notes Secured Parties shall seek to provide any Borrower or any Guarantor with, or consent to a third party providing, any financing under Section 364 of the Bankruptcy Code or consent to any order for the use of cash collateral constituting Notes Priority Collateral under Section 363 of the Bankruptcy Code (or any similar provision of any foreign Debtor Relief Laws or under a court order in respect of measures granted with similar effect under any

foreign Debtor Relief Laws) with such financing to be secured by all or any portion of the Notes Priority Collateral (including assets that, but for the application of Section 552 of the Bankruptcy Code would be Notes Priority Collateral) (each, a “**Notes DIP Financing**”), then the ABL Agent, on behalf of itself and the ABL Secured Parties, agrees that it will raise no objection and will not support any objection to such Notes DIP Financing or use of cash collateral or to the Liens securing the same on any basis, including, without limitation, on the grounds of a failure to provide “adequate protection” for the Liens of the ABL Agent on the Notes Priority Collateral securing the ABL Obligations (and will not request any adequate protection solely as a result of such Notes DIP Financing or use of cash collateral that is Notes Priority Collateral (except as provided in Section 6.3) and will not offer or support any debtor-in-possession financing which would compete with such Notes DIP Financing); provided that (i) the ABL Agent retains its Lien on the Notes Priority Collateral to secure the ABL Obligations (in each case, including Proceeds thereof arising after the commencement of the case under the any Debtor Relief Laws), subject to the terms hereof, to the Liens in favor of the Notes Secured Parties on the Notes Priority Collateral existing prior to the commencement of such Insolvency Proceeding, to any adequate protection Liens on the Notes Priority Collateral granted in favor of the Notes Obligations, and to the senior priority of the Notes DIP Financing on the Notes Priority Collateral and (ii) unless it shall otherwise consent, the ABL Agent shall retain its Lien on the ABL Priority Collateral with the same priority as existed prior to the commencement of the case under the subject Debtor Relief Laws and any Lien of the Notes Collateral Agents (or other provider of Notes DIP Financing) on the ABL Priority Collateral securing such Notes DIP Financing is junior and subordinate to the Lien of the ABL Agent on the ABL Priority Collateral, (iii) all Liens on Notes Priority Collateral securing any such Notes DIP Financing shall be senior to or on a parity with the Liens of the Notes Collateral Agents and the Notes Secured Parties securing the Notes Obligations on Notes Priority Collateral and (iv) the foregoing provisions of this Section 6.1(b) shall not prevent the ABL Agent and the ABL Secured Parties from objecting to any provision in any Notes DIP Financing relating to any provision or content of a plan of reorganization or other plan of similar effect under any Debtor Relief Laws.

(c) All Liens granted to the ABL Agent or the Notes Collateral Agents in any Insolvency Proceeding, whether as adequate protection or otherwise, are intended by the parties to be and shall be deemed to be subject to the Lien Priority and the other terms and conditions of this Agreement.

Section 6.2 Relief From Stay. Until the Discharge of ABL Obligations has occurred, each Notes Collateral Agent, on behalf of itself and the Notes Secured Parties represented by it, agrees not to seek relief from the automatic stay or any other stay in any Insolvency Proceeding in respect of any portion of the ABL Priority Collateral without the ABL Agent’s express written consent. Until the Discharge of Notes Obligations has occurred, the ABL Agent, on behalf of itself and the ABL Secured Parties, agrees not to seek relief from the automatic stay or any other stay in any Insolvency Proceeding in respect of any portion of the Notes Priority Collateral without the Designated Notes Collateral Agent’s express written consent. In addition, neither the Notes Collateral Agents nor the ABL Agent shall seek any relief from the automatic stay with respect to any Collateral without providing three (3) days’ prior written notice to the other, unless such period is agreed by both the ABL Agent and the Designated Notes Collateral Agent to be modified or unless the ABL Agent or Designated Notes Collateral Agent, as applicable,

makes a good faith determination that either (A) the ABL Priority Collateral or the Notes Priority Collateral, as applicable, will decline speedily in value or (B) the failure to take any action will have a reasonable likelihood of endangering the ABL Agent's or the Notes Collateral Agents' ability to realize upon their Collateral.

Section 6.3 No Contest; Adequate Protection. Each Notes Collateral Agent, on behalf of itself and the Notes Secured Parties represented by it, agrees that, prior to the Discharge of ABL Obligations, none of them shall contest (or support any other Person contesting) (i) any request by the ABL Agent or any ABL Secured Party for adequate protection of its interest in the Collateral (unless in contravention of Section 6.1(b) or Section 6.3(c)), (ii) subject to Section 6.1(a), any proposed provision of ABL DIP Financing by the ABL Agent and the ABL Secured Parties (or any other Person proposing to provide ABL DIP Financing with the consent of the ABL Agent), or (iii) any objection by the ABL Agent or any ABL Secured Party to any motion, relief, action, or proceeding based on a claim by the ABL Agent or any ABL Secured Party that its interests in the Collateral (unless in contravention of Section 6.1(b)) are not adequately protected (or any other similar request under any law applicable to an Insolvency Proceeding), so long as any Liens granted to the ABL Agent as adequate protection of its interests are subject to this Agreement.

(b) The ABL Agent, on behalf of itself and the ABL Secured Parties, agrees that, prior to the Discharge of Notes Obligations, none of them shall contest (or support any other Person contesting) (i) any request by the Notes Collateral Agents or any Notes Secured Party for adequate protection of its interest in the Collateral (unless in contravention of Section 6.1(a) or Section 6.3(c)), (ii) subject to Section 6.1(b), any proposed provision of Notes DIP Financing by the Notes Collateral Agents and the Notes Secured Parties (or any other Person proposing to provide Notes DIP Financing with the consent of the Notes Collateral Agents), or (iii) any objection by the Notes Collateral Agents or any Notes Secured Party to any motion, relief, action or proceeding based on a claim by the Notes Collateral Agents or any Notes Secured Party that its interests in the Collateral (unless in contravention of Section 6.1(a)) are not adequately protected (or any other similar request under any law applicable to an Insolvency Proceeding), so long as any Liens granted to the Notes Collateral Agents as adequate protection of their interests are subject to this Agreement.

(c) **Notwithstanding** the foregoing provisions in this Section 6.3, in any Insolvency Proceeding:

(i) if the ABL Secured Parties (or any subset thereof) are granted adequate protection with respect to the ABL Priority Collateral in the form of additional collateral (even if such collateral is not of a type which would otherwise have constituted ABL Priority Collateral), then the ABL Agent, on behalf of itself and the ABL Secured Parties, agrees that each Notes Collateral Agent, on behalf of itself or any of the Notes Secured Parties represented by it, may seek or request (and the ABL Secured Parties will not oppose such request, unless in contravention of Section 6.1(a)) adequate protection with respect to its interests in such Collateral in the form of a Lien on the same additional collateral (other than any Canadian Collateral or European Collateral), which Lien will be subordinated to the Liens securing the ABL Obligations on the same basis as the other Liens of the Notes Collateral Agents on ABL Priority Collateral;

(ii) if the Notes Secured Parties (or any subset thereof) are granted adequate protection with respect to Notes Priority Collateral in the form of additional collateral (even if such collateral is not of a type which would otherwise have constituted Notes Priority Collateral), then each Notes Collateral Agent, on behalf of itself and any of the Notes Secured Parties represented by it, agrees that the ABL Agent on behalf of itself or any of the ABL Secured Parties, may seek or request (and the Notes Secured Parties will not oppose such request unless in contravention of Section 6.1(b)) adequate protection with respect to its interests in such Collateral in the form of a Lien on the same additional collateral, which Lien will be subordinated to the Liens securing the Notes Obligations on the same basis as the other Liens of the ABL Agent on Notes Priority Collateral; and

(iii) except as otherwise expressly set forth in Section 6.1 or in connection with the Exercise of Secured Creditor Remedies with respect to (A) the ABL Priority Collateral, nothing herein shall limit the rights of the Notes Collateral Agents or the Notes Secured Parties from seeking adequate protection with respect to their rights in the Notes Priority Collateral in any Insolvency Proceeding (other than adequate protection in the form of a cash payment, periodic cash payments or otherwise, in each case except to the extent such payments are made from the of the Notes Priority Proceeds) or (B) the Notes Priority Collateral, nothing herein shall limit the rights of the ABL Agent or the ABL Secured Parties from seeking adequate protection with respect to their rights in the ABL Priority Collateral in any Insolvency Proceeding (other than adequate protection in the form of a cash payment, periodic cash payments or otherwise, in each case except to the extent such payments are made from the ABL Priority Proceeds).

Section 6.4 Asset Sales. Each Notes Collateral Agent agrees, on behalf of itself and the Notes Secured Parties represented by it, that it will not oppose any sale consented to by the ABL Agent of any ABL Priority Collateral pursuant to Section 363(f) of the Bankruptcy Code (or any similar provision under the law applicable to any Insolvency Proceeding or under a court order in respect of measures granted with similar effect under any foreign Debtor Relief Laws) so long as the Liens of the parties attach to the proceeds of such sale (except that the Notes Collateral Agents shall not have a Lien on proceeds arising from the sale of Canadian Collateral or European Collateral) consistent with the Lien Priority on the assets sold and such proceeds are otherwise applied in accordance with this Agreement. The ABL Agent agrees, on behalf of itself and the ABL Secured Parties, that it will not oppose any sale consented to by Designated Notes Collateral Agent of any Notes Priority Collateral pursuant to Section 363(f) of the Bankruptcy Code (or any similar provision under the law applicable to any Insolvency Proceeding or under a court order in respect of measures granted with similar effect under any foreign Debtor Relief Laws) so long as (i) the Liens of the parties attach to the proceeds of such sale consistent with the Lien Priority on the assets sold and such proceeds are otherwise applied in accordance with this Agreement, and (ii) the purchaser assumes and agrees to the provisions of Section 3.5 of this Agreement.

Section 6.5 Separate Grants of Security and Separate Classification. Each Notes Secured Party and each ABL Secured Party acknowledges and agrees that (i) the grants of Liens pursuant to the ABL Collateral Documents and the Notes Collateral Documents constitute two separate and distinct grants of Liens and (ii) because of, among other things, their differing rights in the Collateral, the Notes Obligations are fundamentally different from the ABL Obligations

and must be separately classified in any plan of reorganization (or other plan of similar effect under any Debtor Relief Laws) proposed or adopted in an Insolvency Proceeding. To further effectuate the intent of the parties as provided in the immediately preceding sentence, if it is held that the claims of the ABL Secured Parties and the Notes Secured Parties in respect of the Collateral constitute only one secured claim (rather than separate classes of senior and junior secured claims), then the ABL Secured Parties and the Notes Secured Parties hereby acknowledge and agree that all distributions from the Collateral shall be made as if there were separate classes of ABL Obligation claims and Notes Obligation claims against the Loan Parties, with the effect being that, to the extent that the aggregate value of the ABL Priority Collateral or Notes Priority Collateral is sufficient (for this purpose ignoring all claims held by the other Secured Parties), the ABL Secured Parties or the Notes Secured Parties, respectively, shall be entitled to receive, in addition to amounts distributed to them in respect of principal, pre-petition interest and other claims, all amounts owing in respect of post-petition interest that is available from each pool of Priority Collateral for each of the ABL Secured Parties and the Notes Secured Parties, respectively, before any distribution is made from such pool of Priority Collateral in respect of the claims held by the other Secured Parties from such Priority Collateral, with the other Secured Parties hereby acknowledging and agreeing to turn over to the respective other Secured Parties amounts otherwise received or receivable by them from such pool of Priority Collateral to the extent necessary to effectuate the intent of this sentence, even if such turnover has the effect of reducing the aggregate recoveries of such Secured Parties.

Section 6.6 Enforceability. The provisions of this Agreement are intended to be and shall be enforceable as a “subordination agreement” under Section 510(a) of the Bankruptcy Code.

Section 6.7 ABL Obligations Unconditional. All rights of the ABL Agent hereunder, and all agreements and obligations of the Notes Collateral Agents and the Loan Parties (to the extent applicable) hereunder, shall, except as otherwise specifically provided herein, remain in full force and effect irrespective of:

- (i) any lack of validity or enforceability of any ABL Document;
- (ii) any change in the time, place or manner of payment of, or in any other term of, all or any portion of the ABL Obligations, or any amendment, waiver or other modification, whether by course of conduct or otherwise, or any refinancing, replacement, refunding or restatement of any ABL Document (but solely to the extent permitted pursuant to Section 5.2(a) above);
- (iii) any exchange, release, voiding, avoidance or non perfection of any security interest in any Collateral or any other collateral, or any release, amendment, waiver or other modification, whether by course of conduct or otherwise, or any refinancing, replacement, refunding, restatement or increase of all or any portion of the ABL Obligations or any guarantee or guaranty thereof; or
- (iv) any other circumstances that otherwise might constitute a defense available to, or a discharge of, any Loan Party in respect of the ABL Obligations, or of

the Notes Collateral Agents or any Loan Party, to the extent applicable, in respect of this Agreement.

Section 6.8 Notes Obligations Unconditional. All rights of the Notes Collateral Agents hereunder, all agreements and obligations of the ABL Agent and the Loan Parties (to the extent applicable) hereunder, shall, except as otherwise specifically provided herein, remain in full force and effect irrespective of:

- (i) any lack of validity or enforceability of any Notes Document;
- (ii) any change in the time, place or manner of payment of, or in any other term of, all or any portion of the Notes Obligations, or any amendment, waiver or other modification, whether by course of conduct or otherwise, or any refinancing, replacement, refunding or restatement of any Notes Document (but solely to the extent permitted pursuant to Section 5.2(b) above);
- (iii) any exchange, release, voiding, avoidance or non perfection of any security interest in any Collateral, or any other collateral, or any release, amendment, waiver or other modification, whether by course of conduct or otherwise, or any refinancing, replacement, refunding, restatement or increase of all or any portion of the Notes Obligations or any guarantee or guaranty thereof; or
- (iv) any other circumstances that otherwise might constitute a defense available to, or a discharge of, any Loan Party in respect of the Notes Obligations, or of the ABL Agent or any Loan Party, to the extent applicable, in respect of this Agreement.

Section 6.9 Other Matters.

(a) To the extent that the ABL Agent or any ABL Secured Party has or acquires rights under Section 363 or Section 364 of the Bankruptcy Code with respect to any of the Notes Priority Collateral, the ABL Agent agrees, on behalf of itself and the other ABL Secured Parties, not to assert any of such rights without the prior written consent of the Designated Notes Collateral Agent; provided that if requested by the Designated Notes Collateral Agent, the ABL Agent shall timely exercise such rights in the manner requested by the Designated Notes Collateral Agent, including any rights to payments in respect of such rights.

(b) To the extent that any Notes Collateral Agent or any Notes Secured Party has or acquires rights under Section 363 or Section 364 of the Bankruptcy Code with respect to any of the ABL Priority Collateral, each Notes Collateral Agent agrees, on behalf of itself and the other Notes Secured Parties represented by it, not to assert any of such rights without the prior written consent of the ABL Agent; provided that if requested by the ABL Agent, the Notes Collateral Agents shall timely exercise such rights in the manner requested by the ABL Agent, including any rights to payments in respect of such rights.

ARTICLE 7

PURCHASE OPTIONS

Section 7.1 Notice of Exercise.

(a) Without prejudice to the enforcement of the ABL Secured Parties' rights and remedies, the ABL Agent agrees, on behalf of the ABL Secured Parties, that following the occurrence of (i) any acceleration of the ABL Obligations and the receipt of written notice thereof by the Notes Collateral Agents or (ii) any Loan Party becoming subject to an Insolvency Proceeding (each such event, an "ABL Obligations Purchase Option Event"), then all or a portion of the Notes Secured Parties, acting as a single group, shall have the option to purchase all of the ABL Obligations from the ABL Secured Parties by delivery of written notice of their intent to purchase the ABL Obligations to the ABL Agent within five (5) Business Days of the ABL Obligations Purchase Option Event. Such notice from such Notes Secured Parties to the ABL Agent shall be irrevocable.

(b) Without prejudice to the enforcement of the Notes Secured Parties' rights and remedies, each Notes Collateral Agent agrees, on behalf of the Notes Secured Parties represented by it, that following the occurrence of (i) any acceleration of the Notes Obligations and the receipt of written notice thereof by the ABL Agent or (ii) any Loan Party becoming subject to an Insolvency Proceeding (each such event, a "Notes Obligations Purchase Option Event"), then all or a portion of the ABL Secured Parties, acting as a single group, shall have the option to purchase all of the Notes Obligations from the Notes Secured Parties by delivery of written notice of their intent to purchase the Notes Obligations to the Designated Notes Collateral Agent within five (5) Business Days of the Notes Obligations Purchase Option Event. Such notice from such ABL Secured Parties to the Designated Notes Collateral Agent shall be irrevocable.

Section 7.2 Purchase and Sale.

(a) On the date specified by the relevant Notes Secured Parties in the notice contemplated by Section 7.1(a) above (which shall not be less than five (5) Business Days, nor more than twenty (20) calendar days, after the receipt by the ABL Agent of the notice of the relevant Notes Secured Parties' election to exercise such option), the ABL Lenders shall sell to the relevant Notes Secured Parties, and the relevant Notes Secured Parties shall purchase from the ABL Lenders, the ABL Obligations, provided that, the ABL Agent and the ABL Secured Parties shall retain all rights to be indemnified or held harmless by the Loan Parties in accordance with the terms of the ABL Documents but shall not retain any rights to the security therefor.

(b) On the date specified by the relevant ABL Secured Parties in the notice contemplated by Section 7.1(b) above (which shall not be less than five (5) Business Days, nor more than twenty (20) calendar days, after the receipt by the Designated Notes Collateral Agent of the notice of the relevant ABL Secured Party's election to exercise such option), the Notes Secured Parties shall sell to the relevant ABL Secured Parties, and the relevant ABL Secured Parties shall purchase from the Notes Secured Parties, the Notes Obligations, provided that, the Notes Collateral Agents and the Notes Secured Parties shall retain all rights to be indemnified or

held harmless by the Loan Parties in accordance with the terms of the Notes Documents but shall not retain any rights to the security therefor.

Section 7.3 Payment of Purchase Price.

Upon the date of such purchase and sale, the relevant Notes Secured Parties or the relevant ABL Secured Parties, as applicable, shall:

(a) pay to the ABL Agent for the benefit of the ABL Lenders (with respect to a purchase of the ABL Obligations) or to the Designated Notes Collateral Agent for the benefit of the Notes Secured Parties (with respect to a purchase of the Notes Obligations) as the purchase price therefor the full amount of all the ABL Obligations or Notes Obligations, as applicable, then outstanding and unpaid (including principal, interest, fees and expenses, including reasonable attorneys' fees and legal expenses but specifically excluding any prepayment premium, termination or similar fees),

(b) with respect to a purchase of the ABL Obligations, furnish cash collateral to the ABL Agent in a manner and in such amounts as the ABL Agent determines is reasonably necessary to secure the ABL Agent, the ABL Secured Parties, letter of credit issuing banks and applicable affiliates in connection with any issued and outstanding letters of credit, ABL Bank Products and ABL Cash Management Services secured by the ABL Documents,

(c) with respect to a purchase of the ABL Obligations, agree to reimburse the ABL Agent, the ABL Secured Parties and letter of credit issuing banks for any loss, cost, damage or expense (including reasonable attorneys' fees and legal expenses) in connection with any commissions, fees, costs or expenses related to any issued and outstanding letters of credit as described above and any checks or other payments provisionally credited to the ABL Obligations, and/or as to which the ABL Agent has not yet received final payment,

(d) agree to reimburse the ABL Secured Parties or the Notes Secured Parties, as applicable, and with respect to a purchase of the ABL Obligations letter of credit issuing banks, in respect of indemnification obligations of the Loan Parties under the ABL Documents or the Notes Documents, as applicable, as to matters or circumstances known to the ABL Agent or the Notes Collateral Agents, as applicable, at the time of the purchase and sale which would reasonably be expected to result in any loss, cost, damage or expense (including reasonable attorneys' fees and legal expenses) to the ABL Secured Parties, the Notes Secured Parties or letter of credit issuing banks, as applicable, and

(e) agree to indemnify and hold harmless the ABL Secured Parties or the Notes Secured Parties, as applicable, and with respect to a purchase of the ABL Obligations letter of credit issuing banks, from and against any loss, liability, claim, damage or expense (including reasonable fees and expenses of legal counsel) arising out of any claim asserted by a third party in respect of the ABL Obligations or the Notes Obligations, as applicable, as a direct result of any acts by any Notes Secured Party or any ABL Secured Party, as applicable, occurring after the date of such purchase.

Such purchase price and cash collateral shall be remitted by wire transfer in federal funds to such bank account as the ABL Agent or the Designated Notes Collateral Agent, as applicable, may designate in writing for such purpose.

Section 7.4 Limitation on Representations and Warranties.

Such purchase shall be expressly made without representation or warranty of any kind by any selling party (or the ABL Agent or the Notes Collateral Agents) and without recourse of any kind, except that the selling party shall represent and warrant: (a) the amount of the ABL Obligations or Notes Obligations, as applicable, being purchased from it, (b) that such ABL Secured Party or Notes Secured Party, as applicable, owns the ABL Obligations or Notes Obligations, as applicable, free and clear of any Liens or encumbrances and (c) that such ABL Secured Party or Notes Secured Party, as applicable, has the right to assign such ABL Obligations or Notes Obligations, as applicable, and the assignment is duly authorized.

ARTICLE 8
MISCELLANEOUS

Section 8.1 Rights of Subrogation. Each Notes Collateral Agent, for and on behalf of itself and the Notes Secured Parties represented by it, agrees that no payment to the ABL Agent or any ABL Secured Party pursuant to the provisions of this Agreement shall entitle any Notes Collateral Agent or any Notes Secured Party to exercise any rights of subrogation in respect thereof until the Discharge of ABL Obligations. Thereafter, the ABL Agent agrees to execute such documents, agreements, and instruments as any Notes Collateral Agent or any Notes Secured Party may reasonably request to evidence the transfer by subrogation to any such Person of an interest in the ABL Obligations resulting from payments to the ABL Agent by such Person, so long as all costs and expenses (including all reasonable legal fees and disbursements) incurred in connection therewith by the ABL Agent are paid by such Person upon request for payment thereof. The ABL Agent, for and on behalf of itself and the ABL Secured Parties, agrees that no payment to the Notes Collateral Agents or any Notes Secured Party pursuant to the provisions of this Agreement shall entitle the ABL Agent or any ABL Secured Party to exercise any rights of subrogation in respect thereof until the Discharge of Notes Obligations. Thereafter, each Notes Collateral Agent agrees to execute such documents, agreements, and instruments as the ABL Agent or any ABL Secured Party may reasonably request to evidence the transfer by subrogation to any such Person of an interest in the Notes Obligations resulting from payments to such Notes Collateral Agent by such Person, so long as all costs and expenses (including all reasonable legal fees and disbursements) incurred in connection therewith by such Notes Collateral Agent are paid by such Person upon request for payment thereof.

Section 8.2 Further Assurances. The parties will, at their own expense and at any time and from time to time, promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that either party may reasonably request, in order to protect any right or interest granted or purported to be granted hereby or to enable the ABL Agent or the Notes Collateral Agents to exercise and enforce their rights and remedies hereunder; provided, however, that no party shall be required to pay over any payment or distribution, execute any instruments or documents, or take any other action referred to in this Section 8.2, to the extent that such action would contravene any law, order or other legal

requirement or any of the terms or provisions of this Agreement, and in the event of a controversy or dispute, such party may interplead any payment or distribution in any court of competent jurisdiction, without further responsibility in respect of such payment or distribution under this Section 8.2.

Section 8.3 Representations. Each Notes Collateral Agent represents and warrants to the ABL Agent that it has the requisite power and authority under the Notes Documents to enter into, execute, deliver, and carry out the terms of this Agreement on behalf of itself and the Notes Secured Parties and that this Agreement shall be binding obligations of the Notes Collateral Agents and the Notes Secured Parties, enforceable against the Notes Collateral Agents and the Notes Secured Parties in accordance with its terms. The ABL Agent represents and warrants to the Notes Collateral Agents that it has the requisite power and authority under the ABL Documents to enter into, execute, deliver, and carry out the terms of this Agreement on behalf of itself and the ABL Secured Parties and that this Agreement shall be binding obligations of the ABL Agent and the ABL Secured Parties, enforceable against the ABL Agent and the ABL Secured Parties in accordance with its terms.

Section 8.4 Amendments. No amendment or waiver of any provision of this Agreement nor consent to any departure by any party hereto shall be effective unless it is in a written agreement executed by each Notes Collateral Agent and the ABL Agent and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 8.5 Addresses for Notices. Unless otherwise specifically provided herein, any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telecopied, or sent by overnight express courier service or United States mail and shall be deemed to have been given when delivered in person or by courier service, upon receipt of a telecopy or three (3) days after deposit in the United States mail (certified, with postage prepaid and properly addressed). For the purposes hereof, the addresses of the parties hereto (until notice of a change thereof is delivered as provided in this Section) shall be as set forth below or, as to each party, at such other address as may be designated by such party in a written notice to all of the other parties.

ABL Agent: Wells Fargo Bank, National Association
125 High Street, 11th Floor
Boston, MA 02110
Attention: Jai Alexander
Fax:

With a copy to:

Morgan, Lewis & Bockius LLP
One Federal Street
Boston, MA 02110
Attention: Marjorie S. Crider
Fax:

Notes Collateral Agent:

U.S. Bank National Association
10 West Broad Street, 12th Floor
Columbus, Ohio 43215
Attention: Katherine A. Esber
Fax:

With a copy to:

Thompson Hine LLP
335 Madison Avenue, 12th Floor
New York, NY 10017
Attention: Irving C. Apar
Fax:

All notices to Additional Notes Secured Parties permitted or required under this Agreement may be sent to the applicable Additional Notes Agent as provided in the relevant Joinder Agreement.

Section 8.6 No Waiver; Remedies. No failure on the part of any party to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 8.7 Continuing Agreement, Transfer of Secured Obligations. This Agreement is a continuing agreement and shall (a) remain in full force and effect until the earlier of the Discharge of ABL Obligations or the Discharge of Notes Obligations, (b) be binding upon the parties and their successors and assigns, and (c) inure to the benefit of and be enforceable by the parties and their respective successors, transferees and assigns. Nothing herein is intended, or shall be construed to give, any other Person any right, remedy or claim under, to or in respect of this Agreement or any Collateral. All references to any Loan Party shall include any Loan Party as debtor-in-possession and any receiver or trustee for such Loan Party in any Insolvency Proceeding. Without limiting the generality of the foregoing clause (c), the ABL Agent any ABL Secured Party, any Notes Collateral Agent, or any Notes Secured Party may assign or otherwise transfer all or any portion of the ABL Obligations or the Notes Obligations, as applicable, to any other Person (other than any Borrower, any Guarantor or any Subsidiary or Affiliate of any Borrower or any Guarantor), and such other Person shall thereupon become vested with all the rights and obligations in respect thereof granted to the ABL Agent, any Notes Collateral Agent, any ABL Secured Party, or any Notes Secured Party, as the case may be, herein or otherwise. The ABL Secured Parties and the Notes Secured Parties may continue, at any time and without notice to the other parties hereto, to extend credit and other financial accommodations, lend monies and provide Indebtedness to, or for the benefit of, any Loan Party on the faith hereof.

Section 8.8 Governing Law; Entire Agreement. The validity, performance, and enforcement of this Agreement shall be governed by, and construed in accordance with, the laws of the State of New York without regard to conflicts of laws principles thereof but including Section 5-1401 and 5-1402 of the New York General Obligations Law. This Agreement constitutes the entire agreement and understanding among the parties with respect to the subject matter hereof and supersedes any prior agreements, written or oral, with respect thereto.

Section 8.9 Counterparts. This Agreement may be executed in any number of counterparts, and it is not necessary that the signatures of all parties be contained on any one counterpart hereof, each counterpart will be deemed to be an original, and all together shall constitute one and the same document. Delivery of an executed signature page to this Agreement by facsimile or other electronic transmission (in .pdf or similar format) shall be as effective as delivery of a manually signed counterpart of this Agreement.

Section 8.10 No Third Party Beneficiaries. This Agreement is solely for the benefit of the ABL Agent, ABL Secured Parties, Notes Collateral Agents and Notes Secured Parties. No other Person (including any Borrower, any Guarantor or any Subsidiary or Affiliate of any Borrower or any Guarantor) shall be deemed to be a third party beneficiary of this Agreement.

Section 8.11 Headings. The headings of the articles and sections of this Agreement are inserted for purposes of convenience only and shall not be construed to affect the meaning or construction of any of the provisions hereof.

Section 8.12 Severability. If any of the provisions in this Agreement shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement and shall not invalidate the Lien Priority or the application of Proceeds and other priorities set forth in this Agreement.

Section 8.13 Attorneys' Fees. The parties agree that if any dispute, arbitration, litigation, or other proceeding is brought with respect to the enforcement of this Agreement or any provision hereof, the prevailing party in such dispute, arbitration, litigation, or other proceeding shall be entitled to recover its reasonable attorneys' fees and all other costs and expenses incurred in the enforcement of this Agreement.

Section 8.14 VENUE; JURY TRIAL WAIVER.

(a) EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE SUPREME COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH

ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT SHALL AFFECT ANY RIGHT THAT ANY ABL SECURED PARTY OR ANY NOTES SECURED PARTY MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT, ANY NOTES DOCUMENTS, OR ANY ABL DOCUMENTS AGAINST ANY LOAN PARTY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(b) EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT IN ANY COURT REFERRED TO IN PARAGRAPH (A) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(c) EACH PARTY HERETO HEREBY WAIVES ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. EACH PARTY HERETO REPRESENTS THAT IT HAS REVIEWED THIS WAIVER AND IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

(d) EACH PARTY TO THIS AGREEMENT IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 8.5. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY TO THIS AGREEMENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

Section 8.15 Intercreditor Agreement. This Agreement is the “Intercreditor Agreement” referred to in the ABL Credit Agreement and the “ABL Intercreditor Agreement” referred to in the Indenture. Nothing in this Agreement shall be deemed to subordinate the obligations due to (i) any ABL Secured Party to the obligations due to any Notes Secured Party or (ii) any Notes Secured Party to the obligations due to any ABL Secured Party (in each case, whether before or after the occurrence of an Insolvency Proceeding), it being the intent of the parties that this Agreement shall effectuate a subordination of Liens but not a subordination of Indebtedness.

Section 8.16 No Warranties or Liability. Each Notes Collateral Agent and the ABL Agent acknowledge and agree that neither has made any representation or warranty with respect to the execution, validity, legality, completeness, collectability or enforceability of any other ABL Document or any Notes Document. Except as otherwise provided in this Agreement, each Notes Collateral Agent and the ABL Agent will be entitled to manage and supervise their respective extensions of credit to any Loan Party in accordance with law and their usual practices, modified from time to time as they deem appropriate.

Section 8.17 Conflicts. Subject to Section 8.20 hereof, in the event of any conflict between the provisions of this Agreement and the provisions of any ABL Document or any Notes Document, the provisions of this Agreement shall govern; provided that, solely as among the Notes Secured Parties, in the event of any conflict between the provisions of this Agreement and the provisions of the Notes Pari Passu Intercreditor Agreement, the provisions of the Notes Pari Passu Intercreditor Agreement shall govern.

Section 8.18 Information Concerning Financial Condition of the Loan Parties. Each of the Notes Collateral Agents and the ABL Agent hereby assumes responsibility for keeping itself informed of the financial condition of the Loan Parties and all other circumstances bearing upon the risk of nonpayment of the ABL Obligations or the Notes Obligations. The Notes Collateral Agents and the ABL Agent hereby agree that no party shall have any duty to advise any other party of information known to it regarding such condition or any such circumstances. In the event any Notes Collateral Agent or the ABL Agent, in their sole discretion, undertakes at any time or from time to time to provide any information to any other party to this Agreement, (a) they shall be under no obligation (i) to provide any such information to such other party or any other party on any subsequent occasion, (ii) to undertake any investigation not a part of its regular business routine, or (iii) to disclose any other information, (b) they make no representation as to the accuracy or completeness of any such information and shall not be liable for any information contained therein, and (c) the party receiving such information hereby agrees to hold the providing party harmless from any action the receiving party may take or conclusion the receiving party may reach or draw from any such information, as well as from and against any and all losses, claims, damages, liabilities, and expenses to which such receiving party may become subject arising out of or in connection with the use of such information.

(b) The Loan Parties agree that any information provided to the ABL Agent, the Notes Collateral Agents, any ABL Secured Party or any Notes Secured Party may be shared by such Person with any ABL Secured Party, any Notes Secured Party, the ABL Agent or the Notes Collateral Agents notwithstanding a request or demand by such Loan Party that such information be kept confidential; provided that such information shall otherwise be subject to the respective confidentiality provisions in the ABL Credit Agreement and the Notes Documents, as applicable.

Section 8.19 Foreign Loan Parties and Foreign Collateral

This Agreement is intended to define the rights and obligations of the parties with respect to Collateral held by both the ABL Agent on behalf of the ABL Secured Parties and the Notes Collateral Agents on behalf of the Notes Secured Parties from any Borrower and any Guarantor

organized under the laws of the United States of America. Nothing contained herein shall limit, modify or impair any rights that the ABL Agent and the ABL Secured Parties may have with respect to the Canadian Collateral, the European Collateral, or with respect to any Foreign Subsidiary (as defined in the ABL Credit Agreement) which becomes an ABL Loan Party or any of such Foreign Subsidiary's assets, each of which rights may be exercised by the ABL Agent and the ABL Secured Parties without the consent of, or interference from, the Notes Secured Parties. In that regard, the Notes Collateral Agents and the Notes Secured Parties shall not be entitled to any of the benefits of this Agreement in connection therewith and the ABL Agent and ABL Secured Parties shall have no obligations to the Notes Collateral Agents and the Notes Secured Parties with respect thereto.

Section 8.20 Acknowledgement of Loan Documents.

Each of the ABL Agent (on behalf of the ABL Secured Parties) and each of the Notes Collateral Agents (on behalf of the Notes Secured Parties represented by it) hereby agree that, notwithstanding anything to the contrary contained herein, (a) this Agreement governs the respective rights, remedies and obligations of the ABL Agent (and the other ABL Secured Parties) on the one hand, and those of the Notes Collateral Agents (and the other Notes Secured Parties) on the other hand, solely as between the respective Secured Parties, (b) with respect to the Loan Parties, in no way does this Agreement (x) affect, limit or otherwise supersede anything agreed between the Secured Parties and the Loan Parties in the Loan Documents (as defined in the ABL Credit Agreement), the Cash Flow Documents (as defined in the Indenture) or any similar term in any Additional Notes Agreement but not including this Agreement or (y) provide the Secured Parties any greater rights or impose any additional obligations on the Loan Parties beyond those set forth in the Loan Documents (as defined in the ABL Credit Agreement), the Cash Flow Documents (as defined in the Indenture) or any similar term in any Additional Notes Agreement but not including this Agreement and (c) this Agreement shall in no way limit or affect the discharge, termination, release or other disposition of Collateral by the Loan Parties (or the Secured Parties, as applicable), to the extent such discharge, termination, release or other disposition is permitted by the Loan Documents (as defined in the ABL Credit Agreement), the Cash Flow Documents (as defined in the Indenture) or any similar term in any Additional Notes Agreement but not including this Agreement.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the ABL Agent, for and on behalf of itself and the ABL Secured Parties, and the First Lien Notes Collateral Agent, for and on behalf of itself and the First Lien Notes Secured Parties, have caused this Agreement to be duly executed and delivered as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, in its capacity as an
ABL Agent

By: /s/ Jai Alexander _____

Name: Jai Alexander

Title: Director

U.S. BANK NATIONAL ASSOCIATION, in its capacity as the First Lien Notes
Collateral Agent

By: /s/ Katherine Esber _____

Name: Katherine Esber

Title: Vice President

Signature Page to Intercreditor Agreement

ACKNOWLEDGMENT

Each Loan Party hereby acknowledges that it has received a copy of this Agreement and consents thereto, agrees to recognize all rights granted thereby to the ABL Agent and the Notes Collateral Agents, and, subject to Section 8.20 hereof, will not do any act or perform any obligation which is not in accordance with the agreements set forth in this Agreement. Each Loan Party further acknowledges and agrees that it is not an intended beneficiary or third party beneficiary under this Agreement and (i) as between the ABL Secured Parties and the ABL Loan Parties, the ABL Documents remain in full force and effect as written and are in no way modified hereby, and (ii) as between the Notes Secured Parties, the Issuer and Notes Guarantors, the Notes Documents remain in full force and effect as written and are in no way modified hereby.

If any ABL Secured Party or Notes Secured Party shall enforce its rights or remedies in violation of the terms of this Agreement, provided that the exercise of such rights and remedies by such ABL Secured Party or Notes Secured Party, as applicable, is permitted pursuant to ABL Documents or the Notes Documents, as applicable, the Loan Parties shall not be entitled to use such violation as a defense to any action by any ABL Secured Party or Notes Secured Party, nor to assert such violation as a counterclaim or basis for set off or recoupment against any ABL Secured Party or Notes Secured Party.

Acknowledgement -- Intercreditor Agreement

ABERCROMBIE & FITCH MANAGEMENT CO., as Lead Borrower
ABERCROMBIE & FITCH STORES, INC.

ABERCROMBIE & FITCH TRADING CO., as Borrowers

By: /s/ Everett E. Gallagher, Jr. _____

Name: Everett E. Gallagher, Jr.

Title: Senior Vice President and Treasurer

ABERCROMBIE & FITCH CO., as Parent and as a Guarantor

By: /s/ Everett E. Gallagher, Jr. _____

Name: Everett E. Gallagher, Jr.

Title: Senior Vice President – Tax, Treasury & Risk Management and Treasurer

Signature Page to Acknowledgement to Intercreditor Agreement

A & F TRADEMARK, INC.
ABERCROMBIE & FITCH HOLDING CORPORATION
HOLLISTER CO.
J.M.H. TRADEMARK, INC.
HOLLISTER CO. CALIFORNIA, LLC
A&F CANADA HOLDING CO.
afh Puerto rico llc, as Guarantors

By: /s/ Everett E. Gallagher, Jr. _____
Name: Everett E. Gallagher, Jr.
Title: Senior Vice President and Treasurer

ABERCROMBIE & FITCH PROCUREMENT SERVICES, LLC, as a
Guarantor

By: Abercrombie & Fitch Trading Co., its Sole Member

By: /s/ Everett E. Gallagher, Jr. _____
Name: Everett E. Gallagher, Jr.
Title: Senior Vice President and Treasurer

Signature Page to Acknowledgement to Intercreditor Agreement

[FORM OF] JOINDER AGREEMENT TO THE
INTERCREDITOR AGREEMENT

[____], 20[__]

Reference is made to the Intercreditor Agreement dated as of July 2, 2020 (as amended, restated, supplemented or otherwise modified from time to time, the “Intercreditor Agreement”), by and among Wells Fargo Bank, National Association, in its capacity as ABL Agent, U.S. Bank National Association, in its capacity as First Lien Notes Collateral Agent, and the other Agents party thereto from time to time. Capitalized terms used but not otherwise defined herein shall have the respective meanings set forth for such terms in the Intercreditor Agreement. This “Joinder Agreement” is being executed and delivered pursuant to Section 5.2(d) of the Intercreditor Agreement.

1. Joinder. The undersigned, [_____] (the “Additional Agent”), as [_____] under that certain [_____] dated as of [____], 20[__] (the “Additional Loan Document”), among the Borrower, the Guarantors and the Additional Agent, hereby agrees to become party as an Additional Notes Agent under the Intercreditor Agreement, that the Additional Loan Document shall constitute an Additional Notes Agreement, each [_____] (as defined in the Additional Loan Document) shall constitute a Notes Document and the Additional Secured Parties (as defined below) shall constitute Notes Secured Parties, in each case, for all purposes thereof on the terms set forth therein, and to be bound by the terms of the Intercreditor Agreement as fully as if the undersigned had executed and delivered the Intercreditor Agreement as of the date thereof. The address of the Additional Agent is set forth below its signature to this Joinder Agreement.

2. Lien Sharing and Priority Confirmation. The undersigned Additional Agent, on behalf of itself and each holder of obligations under the Additional Loan Document and each of the other agreements, documents or instruments evidencing, governing or securing any Obligations thereunder (and any other related documents or instruments executed and delivered pursuant to any of the foregoing documents) for which the undersigned is acting as Additional Agent (the “Additional Secured Parties”) hereby agrees, for the enforceable benefit of all existing and future ABL Obligations and Notes Obligations, each existing and future Agent, each existing and future Secured Party and, as applicable, the Borrower and the Guarantors and as a condition to being treated as Additional Notes Obligations under the Intercreditor Agreement, that the Additional Agent and each of the Additional Secured Parties are bound by the provisions of the Intercreditor Agreement as an Additional Notes Agent and Notes Secured Parties, respectively, including the provisions relating to the ranking of Liens and the order of application of proceeds from the enforcement of Liens.

3. Governing Law and Miscellaneous Provisions. The provisions of Sections 8.8 and 8.14 of the Intercreditor Agreement will apply with like effect to this Joinder Agreement.

Exhibit A – Form of Joinder Agreement to Intercreditor Agreement

IN WITNESS WHEREOF, the party hereto has caused this Joinder Agreement to be executed by its respective officer or representative as of the date first above written.

[_____], as Additional Agent

By: _____

Name:

Title:

[ADDRESS]

Exhibit A – Form of Joinder Agreement to Intercreditor Agreement

|US-DOCS\116541863.10||

Abercrombie & Fitch Co.

A&F | a&f |  | *gilly hickz*

December 1, 2020

Holly L. May

Dear Holly:

We are thrilled that you are considering joining Abercrombie & Fitch (A&F), and we are pleased to extend the following offer of employment:

Position **Senior Vice President & Chief Human Resources Officer**, reporting to Fran Horowitz, Chief Executive Officer

Start Date To be determined

Base Salary **\$600,000** annually; paid bi-weekly. Your annual salary will be reviewed again in March 2022.

IC Bonus Program You will be eligible to participate in A&F's Designated Officer Annual Incentive Compensation (IC) Program beginning in Fiscal Year 2021, at a target payout level of 75% of your annual base salary and a maximum payout of 150% of your annual base salary. If you begin employment with us after the start of Fiscal 2021, your IC eligibility for 2021 may be pro-rated based on your start date.

IC for you and other Designated Officers will be based on annual Company financial results, and if earned will typically be paid in March following the conclusion of the prior Fiscal Year, subject to participants' being actively employed on the payout date. (Please note that the Designated Officer Annual IC Program is subject to change each year in the discretion of the Compensation Committee of the A&F Board of Directors (the "Compensation Committee")).

Sign-On Bonus Upon your commencement of employment, A&F will provide you a one-time sign-on bonus of **\$250,000**. This sign-on bonus (less applicable taxes and other withholdings) will be made along with your first regular paycheck. In order to obtain this payment, you will be required to sign an agreement to repay the sign-on bonus in full if you resign or are terminated for gross misconduct within twenty-four (24) months of your start date.

Inducement Equity Grant: Restricted Stock Units (RSUs)

Subject to approval of the Compensation Committee and to the terms and conditions of the grant, you will receive an inducement equity grant with an approximate value of **\$500,000**, in the form of A&F Restricted Stock Units (RSUs). The actual number of RSUs granted will be based on the closing share price on the date of the grant, which will occur (subject to Compensation Committee approval) at the next regularly scheduled meeting of the Compensation Committee following your start date or as soon as practicable thereafter. Upon vesting, one RSU converts to one share of A&F stock. Subject to continued employment with A&F, these RSUs will vest ratably over the next three years.

2021 Annual Equity Grant

Subject to satisfactory performance and continued employment, the Company will recommend to the Compensation Committee that an annual equity grant with an approximate value of **\$600,000** be awarded to you as part of A&F's Fiscal Year 2021 annual equity grant process. The vesting schedule, types of awards, and other terms and conditions will be consistent with grants made during the 2021 annual grant process to other Designated Officers.

Relocation

A&F will provide you with the following relocation assistance benefits:

- Temporary housing and storage of goods for up to 90 days
- Reasonable and customary movement of household goods and up to two vehicles
- Rental car until primary vehicle arrives, if applicable (typically 14 days)
- Final flight to Columbus (plus reimbursement for up to two additional bags)
- Reimbursement of reasonable and customary closing costs toward the purchase of your new primary residence in Central Ohio (up to \$30,000).

Relocation assistance benefits are subject to the following terms and conditions:

- All relocation assistance benefits must be used within one year of your start date
- Any taxable relocation assistance benefits will be "grossed up" to offset Federal and State taxes
- If you wish to have A&F pay for or reimburse you for your relocation assistance benefits, you must sign an agreement to repay those benefits in full if you resign or are terminated for gross misconduct within twenty-four (24) months of your start date

Executive Severance Agreement (ESA)

In consideration of (and as a condition of) this offer of employment and your continued employment following hire, you agree to enter into an Executive Severance Agreement (ESA) in the form attached as Exhibit A to this offer letter. The ESA includes severance protection and other benefits for you, as well as protections for the company such as non-competition and non-solicitation provisions.

Benefits

You will be eligible to participate in various A&F benefit programs as set forth in this letter and other relevant documents. All benefit programs are subject to change in accordance with A&F's policies and procedures.

A&F Qualified Savings

As of the first of the following month of your start date, you will be eligible to participate in the Abercrombie & Fitch Co. Savings and Retirement Plan. As a participant in this plan, you will be eligible to defer up to 50% of your base salary and bonus payouts, up to the IRS maximum annual deferral limit (\$19,500 for 2021), subject to the IRS annual compensation limit (\$290,000 for 2021). After one year of employment, the first 5% of your base salary and bonus payouts that you defer into this plan will be matched by A&F at 100%. Company matching contributions and earnings are always 100% vested.

A&F Non-Qualified Savings Plan

After 30 days of employment, you will be eligible to participate in the Abercrombie & Fitch Co. Non-Qualified Savings Plan. This plan allows you to defer up to 75% of your base salary each year, and up to 75% of your Bonus payouts.

Healthcare Coverage

After one month of employment, you will be eligible to participate in our Healthcare Benefit plans. For 2021, the associate contribution for these benefits is as follows:

	<u>Medical/Dental</u>	<u>Vision</u>
Single Coverage	\$ 48.00 bi-weekly	\$ 1.95 bi-weekly
Single (+) Spouse	\$ 173.00 bi-weekly	\$ 3.71 bi-weekly
Single (+) Child(ren)	\$ 119.00 bi-weekly	\$ 3.90 bi-weekly
Family Coverage	\$ 200.00 bi-weekly	\$ 5.74 bi-weekly

Life & Disability Insurance

After one month of employment, you will automatically be enrolled in A&F’s Life & Disability Insurance plans.

Flexible Spending Account (FSA)

After one month of employment, you will be eligible to participate in A&F’s Flexible Spending Account (FSA) plan. FSAs allow you to save money by paying for certain healthcare expenses with pre-tax dollars via automatic payroll deductions.

Associate Assistance Program (AAP)

After one month of employment, you will automatically be enrolled in A&F’s Associate Assistance Program (AAP). The AAP gives you or any covered dependents access to free and confidential psychological, financial, and legal counseling through our AAP provider. Up to 8 free visits, per specific issue, are available through the AAP.

A&F Gym

Effective upon hire, you will be eligible to join the A&F Gym, our state of the art 8,000 square foot on-site fitness facility. The cost of membership can be paid via automatic payroll deduction after you enroll.

Merchandise Discount

You will receive a discount of 40% on qualifying purchases at all Abercrombie & Fitch and abercrombie kids stores. You will also receive a discount of 30% on qualifying purchases at all Hollister Co. stores. (Please note that this benefit is subject to the terms of the Associate Discount Policy as set forth in our Associate Handbook.)

Paid Time Off (PTO)/Holidays

You will be eligible for 33 paid time off (PTO) days per fiscal year. PTO will be pro-rated during the first year based on your start date. Unused PTO days do not carry over into subsequent fiscal years. A&F also grants 8 paid holidays to all home office associates annually.

Additional A&F Perks

In addition to benefits listed above, you will be eligible for the following A&F perks:

- Volunteer Day
- Extended Summer Hours
- On-Site Café
- Stock Purchase Plan

Please see the Home Office Associate Handbook or your HR Business Partner for more information on these programs.

Background/Reference Inquiry and Work Authorization

This offer of employment is contingent on successful completion of background and reference checks, and on successful demonstration of your authorization to work in the United States. Please complete the enclosed Fair Credit Reporting Act Disclosure and Authorization Form (attached as Exhibit B) and return it along with your signed copy of this employment offer letter.

This offer, if accepted, is for employment with the Company that is at-will, and nothing in this offer letter is to be construed as altering that at-will status or promising employment for a definite term.

Holly, we look forward to working with you and are convinced that you will be an outstanding addition to the A&F team. To indicate your acceptance of this offer, please sign below and return this letter to me.

Sincerely,

/s/ Fran Horowitz

Fran Horowitz
Chief Executive Officer

I represent that I am not subject to any restriction, covenant or limitation with any prior employer which could prevent me from working for Abercrombie & Fitch in the capacity described in this offer letter. I further represent that to the extent I am subject to an agreement that allows me to work for Abercrombie & Fitch, but that forbids me to solicit employees of another company or to share another company's confidential information, I agree that I will not breach any such agreement while employed by Abercrombie & Fitch.

/s/ Holly L. May

Holly L. May

December 1, 2020

Date

AGREEMENT TO REPAY SIGN-ON BONUS AND AUTHORIZATION TO WITHHOLD WAGES

I, **Holly L. May**, hereby acknowledge the following payment to me by Abercrombie & Fitch (“the Company”), to be paid with my first regular paycheck after my start date with the Company:

- A sign-on bonus in the amount of **\$250,000** (less applicable taxes and other withholdings)

I understand and agree that I will repay the Company in full for the entire amount of the sign-on bonus if I resign my employment with the Company within **twenty-four (24) months** of my start date, or if I am terminated for committing a major violation of Company policy, for gross neglect of duties, or for willful misconduct within **twenty-four (24) months** of my start date.

I understand that at any time during my employment with the Company, my job title or responsibilities may be changed, and that any such change to my job title or responsibilities does not alter or affect my obligation to repay the Company for the entire amount of the sign-on bonus as required by this Agreement.

In the event that I resign my employment with the Company within **twenty-four (24) months** of my start date, or I am terminated for committing a major violation of Company policy, for gross neglect of duties, or for willful misconduct within **twenty-four (24) months** of my start date, I authorize and agree that the full amount of the sign-on bonus shall become immediately due and payable to the Company or a third party as designated by the Company. I further authorize the Company to deduct from any wages, salary or other benefits or monies otherwise owed to me any such sum necessary to repay the sign-on bonus incurred by the Company, to the extent that such deductions are permitted by law. I understand and agree that I will be responsible and obligated to repay to the Company, within thirty (30) days, any remaining portion of the sign-on bonus that is not repaid through the deductions provided for in this Agreement. Regardless of the reason, should my employment with the Company never commence, the sign-on bonus will be immediately due and payable by me.

I understand that this Agreement will be governed and interpreted by the laws of Ohio. I hereby consent to jurisdiction over this Agreement in the Court of Common Pleas, Franklin County, Ohio or any other jurisdiction in which the Company has the right to bring suit and I expressly waive any right to obtain jurisdiction over this Agreement elsewhere.

Signature: /s/ Holly L. May
Name: **Holly L. May**
Date: December 1, 2020

Approved by: /s/ Fran Horowitz
Name: Fran Horowitz
Chief Executive Officer
Abercrombie & Fitch Co.

EXHIBIT A

AGREEMENT

This AGREEMENT (this "Agreement"), is entered into between Abercrombie & Fitch Management Co., a Delaware corporation (the "Company"), and **Holly L. May** (the "Executive") as of the execution date by the Company below (the "Effective Date").

WHEREAS, the Company and the Executive desire to enter into this Agreement to set forth the terms under which the Executive may be entitled to severance benefits from the Company upon the occurrence of certain events during the Term of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the Company and the Executive hereby agree as follows:

1. Term of Agreement; Termination of Employment

(a) Term. The term of this Agreement shall be from the Effective Date and for a period of two years thereafter (the "Original Term"); provided, that, this Agreement shall be automatically extended, subject to earlier termination as provided herein, for successive additional one year periods (each, an "Additional Term"), on the second anniversary of the Effective Date and each subsequent anniversary thereof unless, at least 90 days before the date on which an Additional Term otherwise would automatically begin, the Company or the Executive notifies the other in writing that the Term (as defined below) shall not be extended by any Additional Terms thereafter. Notwithstanding the foregoing, if a Change of Control (as defined below) occurs during the Original Term or an Additional Term, the term of this Agreement shall extend until the later of the Original Term or an Additional Term or the 18-month anniversary of such Change of Control (such extension, together with the Original Term or any Additional Terms, the "Term").

(b) At-Will Nature of Employment. The Executive acknowledges and agrees that the Executive's employment with the Company is and shall remain "at-will" and the Executive's employment with the Company may be terminated at any time and for any reason (or no reason) by the Company, with or without notice, or the Executive, subject to the terms of this Agreement. During the period of the Executive's employment with the Company, the Executive shall perform such duties and fulfill such responsibilities as reasonably requested by the Company from time to time commensurate with the Executive's position with the Company.

(c) Termination of Employment by the Company. During the Term, the Company may terminate the Executive's employment at any time with or without Cause (as defined below) pursuant to the Notice of Termination provision below.

(d) Termination of Employment by the Executive. During the Term, the Executive may terminate employment with the Company with or without Good Reason (as defined below) by delivering to the Company, not less than thirty (30) days prior to the Termination Date, a written notice of termination; provided, that, if such termination of employment is by the Executive with Good Reason, such notice shall state in reasonable detail the facts and circumstances that constitute Good Reason. This provision does not change the at-will nature of Executive's employment, and the Company may end Executive's employment, pursuant to Executive's notice, prior to the expiration of the thirty (30) days' notice.

(e) Notice of Termination. Any termination of the Executive's employment by the Company or by the Executive shall be communicated by a written Notice of Termination addressed to the Executive or the Company, as applicable. A "Notice of Termination" shall mean a notice stating that the Executive's employment with the Company has been or will be terminated and the specific provisions of this Section 1 under which such termination is being effected.

(f) Termination Date. Subject to Section 4(a) hereof, "Termination Date" as used in this Agreement shall mean in the case of the Executive's death or Disability (as defined below), the date of death or Disability, or in all other cases of termination by the Company or the Executive, the date specified in writing by the Company or the Executive as the Termination Date in accordance with Section 1(e).

2. Compensation Upon Certain Terminations by the Company.

(a) Termination Without Cause, or for Good Reason. If the Executive's employment is terminated during the Term (i) by the Company without Cause (other than as a result of the Executive's death or Disability), or (ii) by the Executive for Good Reason, in each case, other than during the COC Protection Period (as defined below), the Company shall (A) pay to the Executive any portion of Executive's accrued but unpaid base salary earned through the Termination Date; (B) pay to the Executive any annual bonus that was earned by the Executive for the fiscal year immediately preceding the fiscal year in which the Termination Date occurs, to the extent not already paid; (C) reimburse the Executive for any and all amounts advanced in connection with Executive's employment with the Company for reasonable and necessary expenses incurred by Executive through the Termination Date in accordance with the Company's policies and procedures on reimbursement of expenses; (D) pay to the Executive any earned vacation pay not theretofore used or paid in accordance with the Company's policy for payment of earned and unused vacation time; and (E) provide to the Executive all other accrued but unpaid payments and benefits to which Executive may be entitled under the terms of any applicable compensation arrangement or benefit plan or program of the Company (excluding any severance plan or policy of the Company) (collectively, the "Accrued Compensation"). In addition, provided that the Executive executes a release of claims in a form acceptable to the Company (a "Release"), returns such Release to the Company by no later than 45 days following the Termination Date (the "Release Deadline") and does not revoke such Release prior to the expiration of the applicable revocation period (the date on which such Release becomes effective, the "Release Effective Date"), then subject to the further provisions of Sections 3, 4, and 6 below, the Company shall have the following obligations with respect to the Executive (or the Executive's estate, if applicable), subject to applicable taxes and withholdings:

- (1) The Company will continue to pay the Executive's Base Salary (as defined below) during the period beginning on the Executive's Termination Date and continuing for eighteen months thereafter ("Salary Continuation"). This Salary Continuation payment shall be paid in bi-weekly installments, consistent with the Company's payroll practices. Subject to Sections 4(c) and 4(d) hereof, the first such payment shall be made on the first payroll date following the Release Effective Date, such payment to include all payments that would have otherwise been payable between the Termination Date and the date of such payment.
- (2) The Company will pay to the Executive, at such time as those executives who are actively employed with the Company would receive payments under the Company's short-term cash bonus plan in which the Executive was eligible to participate immediately prior to the Termination Date (but in no event later than the 15th day of the third month of the fiscal year following the fiscal year in which the Termination Date occurred), a pro-rated amount of the Executive's bonus under such plan, based on the actual performance during the applicable period, determined in accordance with the terms of the Plan and subject to the approval of the Compensation and Organization Committee of the Board of Directors. The pro-rated amount shall be calculated using a fraction where the numerator is the number of days from the beginning of the applicable bonus period through the Termination Date and the denominator is the total number of days in the applicable bonus period.
- (3) Subject to the Executive's timely election of continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), during the period in which Salary Continuation is in effect, the Company shall reimburse the Executive for 100% of the monthly premium costs of COBRA coverage, less applicable withholding taxes on such reimbursement; provided, however, that the Company's obligation to provide such benefits

shall cease upon the earlier of (i) the Executive's becoming eligible for such benefits as the result of employment with another employer and (ii) the expiration of the Executive's right to continue such medical and dental benefits under applicable law (such as COBRA); provided, further, that notwithstanding the foregoing, the Company shall not be obligated to provide the continuation coverage contemplated by this Section 2(a)(3) if it would result in the imposition of excise taxes on the Company for failure to comply with the nondiscrimination requirements of the Patient Protection and Affordable Care Act of 2010, as amended, and the Health Care and Education Reconciliation Act of 2010, as amended (to the extent applicable).

(b) Termination for Cause, without Good Reason, or Death. If the Executive's employment is terminated during the Term by the Company for Cause, by the Executive without Good Reason or by reason of the Executive's death, the Company shall provide the Executive (or the Executive's estate, if applicable) with only the Accrued Compensation.

(c) Termination due to Disability. If the Executive's employment is terminated by the Company by reason of the Executive's Disability, the Company shall have the following obligations with respect to the Executive (or the Executive's estate, if applicable): (i) the Company shall provide the Executive with the Accrued Compensation; and (ii) the Executive shall be entitled to receive any disability benefits available under the Company's Long-Term Disability Plan (if any). For purposes of this Agreement, "Disability" means a physical or mental infirmity which impairs the Executive's ability to substantially perform the Executive's duties with the Company or its subsidiaries for a period of at least six (6) months in any twelve (12)-month calendar period as determined in accordance with the Company's long-term disability plan or, in the absence of such plan, as determined by the Company's Board of Directors (the "Board").

(d) Change of Control. If the Executive's employment is terminated during the Term (i) by the Company other than for Cause, or due to the Executive's death or Disability or (ii) by the Executive for Good Reason, in each case, during the three months prior to, and the eighteen months following, a Change of Control (such period, the "COC Protection Period"), then the Company shall provide the Executive with the Accrued Compensation and, subject to the Executive executing a Release, returning such Release to the Company by no later than the Release Deadline, and not revoking such Release prior to the expiration of the applicable revocation period, and subject to the further provisions of Sections 2(j), 3, 4 and 6 below, the Company shall have the following obligations with respect to the Executive (or the Executive's estate, if applicable), subject to applicable taxes and withholdings:

- (1) The Company will pay the Executive an amount equal to eighteen months of the Executive's Base Salary in effect on the Termination Date. Subject to Sections 4(c) and 4(d) hereof, such amount shall be payable in a lump sum on the sixtieth (60th) day following the Termination Date, except to the extent that such amount becomes payable on account of a termination that occurs during the three month period preceding a Change of Control. To that extent, the amount shall be paid at the time described in Section 2(a)(1) to the extent necessary to avoid the imposition of tax penalties under Section 409A of the Code.
- (2) The Company will pay Executive an amount equal to 1.5 times the Executive's Target Bonus. Subject to Sections 4(c) and 4(d) hereof, such amount shall be payable in a lump sum on the sixtieth (60th) day following the Termination Date.
- (3) Subject to the Executive's timely election of continuation coverage under COBRA for a period of eighteen months following the Termination Date, the Company shall reimburse the Executive for 100% of the monthly premium costs of COBRA coverage, less applicable withholding taxes on such reimbursement; provided, however, that the Company's obligation to provide such benefits shall cease upon the earlier of (i) the Executive's becoming eligible for such benefits as the result of employment with another employer and (ii) the expiration of the Executive's right to continue such medical and dental benefits under applicable law (such as COBRA); provided,

further, that notwithstanding the foregoing, the Company shall not be obligated to provide the continuation coverage contemplated by this Section 2(d)(3) if it would result in the imposition of excise taxes on the Company for failure to comply with the nondiscrimination requirements of the Patient Protection and Affordable Care Act of 2010, as amended, and the Health Care and Education Reconciliation Act of 2010, as amended (to the extent applicable).

(e) Definitions.

- (1) Base Salary. For the purpose of this Agreement, "Base Salary" shall mean the Executive's annual rate of base salary as in effect on the applicable date; provided, however, that if the Executive's employment with the Company is being terminated by the Executive for Good Reason as a result of a reduction in the Executive's Base Salary, then "Base Salary" shall, for purposes of the definition of "Good Reason" and Section 3 of this Agreement, constitute the Executive's Base Salary as in effect prior to such reduction.
- (2) Cause. For purposes of this Agreement, "Cause" shall mean: (i) the Executive's conviction of, or entrance of a plea of guilty or *nolo contendere* to, a felony under federal or state law; (ii) fraudulent conduct by the Executive in connection with the business affairs of the Company; (iii) the Executive's willful refusal to materially perform the Executive's duties hereunder; (iv) the Executive's willful misconduct which has, or would have if generally known, a materially adverse effect on the business or reputation of the company; or (v) the Executive's material breach of a covenant, representation, warranty or obligation of the Executive to the Company. With respect to the circumstances in subsections (iii), (iv), and (v), above, such circumstances will only constitute "Cause" once the Company has provided the Executive written notice and the Executive has failed to cure such issue within 30 days. No act or failure to act on the Executive's part shall be considered "willful" unless done, or omitted to be done, by the Executive in bad faith and without reasonable belief that the Executive's action or omission was in the best interest of the Company.
- (3) Change of Control. For purposes of this Agreement, "Change of Control" shall have the same meaning as such term is defined in the Company's 2016 Long-Term Incentive Plan for Associates; provided, however, that for purposes of this Agreement, such definition shall only apply to the extent that the event that constitutes such a "Change of Control" also constitutes a "change in ownership or control" as such term is defined in Section 409A of the United States Internal Revenue Code of 1986, as amended (the "Code"), and the regulations and guidance issued thereunder ("Section 409A of the Code").
- (4) Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without the Executive's written consent: (i) a reduction in the Executive's Base Salary or Target Bonus as in effect from time to time; (ii) a material reduction (including as a result of any co-sharing of responsibilities arrangement) of the Executive's authority, responsibilities, or duties, (iii) a requirement that the Executive be based at a location in excess of 50 miles from the location of its principal executive office as of the date of this Agreement; (iv) the Company fails to obtain the written assumption of its obligations to the Executive under this Agreement by a successor no later than the consummation of a Change of Control; (v) a material breach by the Company of its obligations to the Executive under this Agreement; or (vi) in anticipation or contemplation of or following a Change of Control, as defined above, a material adverse change in the Executive's reporting structure; which in each of the circumstances described above, is not remedied by the Company within 30 days of receipt of written notice by the Executive to the Company; so long as the Executive provides such written notice to the Company no later than 90 days following the first date the event giving rise to a claim of Good Reason exists;

(5) Target Bonus. “Target Bonus” shall mean the percentage of the Executive’s Base Salary equal to the Executive’s short-term cash bonus opportunity under the terms of the applicable short-term cash bonus program in which the Executive is entitled to participate in respect of the fiscal year of the Company in which the Termination Date occurs (if any); provided, however, that if the Executive’s employment with the Company is terminated by the Executive for Good Reason as a result of a reduction in the Executive’s Target Bonus, then “Target Bonus” shall mean the Executive’s Target Bonus as in effect immediately prior to such reduction.

(f) Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Section 2 by seeking other employment or otherwise and no such payment or benefit shall be eliminated, offset or reduced by the amount of any compensation provided to the Executive in any subsequent employment, except as provided in Section 2(a)(3) or Section 2(d)(3).

(g) Resignation from Office. The Executive's termination of employment with the Company for any reason shall be deemed to automatically remove the Executive, without further action, from any and all offices held by the Executive with the Company or its affiliates. The Executive shall execute such additional documents as requested by the Company from time to time to evidence the foregoing.

(h) Exclusivity. This Agreement is intended to provide severance payments and/or benefits only under the circumstances expressly enumerated under Section 2 hereof. Unless otherwise determined by the Company in its sole discretion, in the event of a termination of the Executive's employment with the Company for any reason (or no reason) or at any time other than as expressly contemplated by Section 2 hereof, the Executive shall not be entitled to receive any severance payments and/or benefits or other further compensation from the Company hereunder whatsoever, except for the Accrued Compensation and any other rights or benefits to which the Executive is otherwise entitled pursuant to the requirements of applicable law. Except as otherwise expressly provided in this Section 2, all of the Executive's rights to salary, bonuses, fringe benefits and other compensation hereunder (if any) which accrue or become payable after the Termination Date will cease upon the Termination Date.

(i) Set-Off. The Executive agrees that, to the extent permitted by applicable law, the Company may deduct from and set-off against any amounts otherwise payable to the Executive under this Agreement such amounts as may be owed by the Executive to the Company. The Executive shall remain liable for any part of the Executive’s payment obligation not satisfied through such deduction and setoff.

(j) Exclusive Remedies. The Executive agrees and acknowledges that the payments and benefits set forth in this Section 2 shall be the only payments and benefits to which the Executive is entitled from the Company in connection with the termination of the Executive’s employment with the Company, and that neither the Company nor its subsidiaries shall have any liability to the Executive or the Executive’s estate, whether under this Agreement or otherwise, in connection with the termination of the Executive’s employment.

3. Limitations on Certain Payments. Notwithstanding any provision of this Agreement to the contrary, if any amount or benefit to be paid or provided under this Agreement or otherwise would be an “excess parachute payment,” within the meaning of Section 280G of the Code, or any successor provision thereto, but for the application of this sentence, then the payments and benefits identified in the second to last sentence of this Section 3 to be paid or provided will be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment or benefit, as so reduced, constitutes an excess parachute payment; provided, however, that the foregoing reduction will be made only if and to the extent that such reduction would result in an increase in the aggregate payment and benefits to be provided to the Executive, determined on an after-tax basis (taking into account the excise tax imposed pursuant to Section 4999 of the Code, or any successor provision thereto, any tax imposed by any comparable provision of state law, and any applicable federal, state and local income and employment taxes). Whether requested by the Executive or the Company, the determination of whether any reduction in such payments or benefits to be provided under this Agreement or otherwise is required pursuant to the preceding sentence will be made at the expense of the Company by a

certified accounting firm that is independent from the Company. In the event that any payment or benefit intended to be provided under this Agreement or otherwise is required to be reduced pursuant to this Section 3, the Company will reduce the Executive's payments and/or benefits, to the extent required, in the following order: (a) the payments due under Section 2(d)(3) (beginning with the payment farthest out in time that would otherwise be paid); (b) the payments due under Section 2(d)(1) (beginning with the payment farthest out in time that would otherwise be paid); (c) the payment due under Section 2(d)(2). The assessment of whether or not such payments or benefits constitute or would include excess parachute payments shall take into account a reasonable compensation analysis of the value of services provided or to be provided by the Executive, including any agreement by the Executive (if applicable) to refrain from performing services pursuant to a covenant not to compete or similar covenant applicable to you that may then be in effect.

4. Section 409A of the Code; Withholding.

- (a) This Agreement is intended to avoid the imposition of taxes and/or penalties under Section 409A of the Code. The parties agree that this Agreement shall at all times be interpreted, construed and operated in a manner to avoid the imposition of taxes and/or penalties under with Section 409A of the Code. To the extent required for compliance with Section 409A of the Code, all references to a termination of employment and separation from service shall mean "separation from service" as defined in Section 409A of the Code, and the date of such "separation from service" shall be referred to as the "Termination Date".
- (b) All reimbursements provided under this Agreement shall comply with Section 409A of the Code and shall be subject to the following requirement: (i) the amount of expenses eligible for reimbursement, during the Executive's taxable year may not affect the expenses eligible for reimbursement to be provided in another taxable year; and (ii) the reimbursement of an eligible expense must be made by December 31 following the taxable year in which the expense was incurred. The right to reimbursement is not subject to liquidation or exchange for another benefit.
- (c) Notwithstanding anything in this Agreement to the contrary, for purposes of the period specified in this Agreement relating to the timing of the Executive's execution of the Release as a condition of the Company's obligation to provide any severance payments or benefits, if such period would begin in one taxable year and end in a second taxable year, any payment otherwise due to the Executive upon execution of the Release shall be made in the second taxable year and without regard to when the Release was executed or became irrevocable.
- (d) If the Executive is a "specified employee" (as defined under Section 409A of the Code) on the Executive's Termination Date, to the extent that any amount payable under this Agreement constitutes "non-qualified deferred compensation" under Section 409A of the Code (and is not otherwise excepted from Section 409A of the Code coverage by virtue of being considered "separation pay" or a "short term deferral" or otherwise) and is payable to Executive based upon a separation from service, such amount shall not be paid until the first day following the six (6) month anniversary of the Executive's Termination Date or the Executive's death, if earlier.
- (e) To the maximum extent permitted under Section 409A of the Code, the payments and benefits under this Agreement are intended to meet the requirements of the short-term deferral exemption under Section 409A of the Code and the "separation pay exception" under Treasury Regulation §1.409A-1(b)(9)(iii). Any right to a series of installment payments shall be treated as a right to a series of separate payments for purposes of Section 409A of the Code.

- (f) All amounts due and payable under this Agreement shall be paid less all amounts required to be withheld by law, including all applicable federal, state and local withholding taxes and deductions.

5. Indemnification. The Company shall indemnify, defend, and hold the Executive harmless to the maximum extent permitted by law and the Company by-laws against all judgments, fines, amounts paid in settlement and all reasonable expenses, including attorneys' fees incurred by the Executive, in connection with the defense of or as a result of any action or proceeding (or any appeal from any action or proceeding) in which the Executive is made or is threatened to be made a party by reason of the fact that the Executive is or was an officer or director of the Company. Subject to the terms of the Company's director and officer indemnification policies then in effect, the Company acknowledges that the Executive will be covered and insured up to the full limits provided by all directors' and officers' insurance which the Company then maintains to indemnify its directors and officers.

6. Executive Covenants.

- (a) For the purposes of this Section 6, the term "Company" shall include Abercrombie & Fitch Management Co. and all of its subsidiaries, parent companies and affiliates thereof
- (b) Non-Disclosure and Non-Use. The Executive shall not, during the Term and at all times thereafter, without the written authorization of the Chief Executive Officer ("CEO") of the Company or such other executive governing body as may exist in lieu of the CEO, (hereinafter referred to as the "Executive Approval"), use (except for the benefit of the Company) any Confidential and Trade Secret Information relating to the Company. The Executive shall hold in strictest confidence and shall not, without the Executive Approval, disclose to anyone, other than directors, officers, employees and counsel of the Company in furtherance of the business of the Company, any Confidential and Trade Secret Information relating to the Company. For purposes of this Agreement, "Confidential and Trade Secret Information" includes: the general or specific nature of any concept in development, the business plan or development schedule of any concept, vendor, merchant or customer lists or other processes, know-how, designs, formulas, methods, software, improvements, technology, new products, marketing and selling plans, business plans, development schedules, budgets and unpublished financial statements, licenses, prices and costs, suppliers, and information regarding the skills, compensation or duties of employees, independent contractors or consultants of the Company and any other information about the Company that is proprietary or confidential. Notwithstanding the foregoing, nothing herein shall prevent the Executive from disclosing Confidential and Trade Secret Information to the extent required by law or by any court or regulatory authority having actual or apparent authority to require such disclosure or in connection with any litigation or arbitration involving this Agreement.

The restrictions set forth in this Section 6(b) shall not apply to information that is or becomes generally available to the public or known within the Company's trade or industry (other than as a result of its wrongful disclosure by the Executive), or information received on a non-confidential basis from sources other than the Company who are not in violation of a confidentiality agreement with the Company.

The Executive further represents and agrees that, during the Term and at all times thereafter, the Executive is obligated to comply with the rules and regulations of the Securities and Exchange Commission ("SEC") regarding trading shares and/or exercising options related to the Company's stock. The Executive acknowledges that the Company has not provided opinions or legal advice regarding the Executive's obligations in this respect and that it is the Executive's responsibility to seek independent legal advice with respect to any stock or option transaction.

- (c) Non-Disparagement and Cooperation. Neither the Executive nor any officer, director of the Company, nor any other spokesperson authorized as a spokesperson by any officer or director of the Company, shall, during the Term or at any time thereafter, intentionally state or otherwise publish anything about the other party which would adversely affect the reputation, image or business relationships and goodwill of the other party in the market and community at large. During the Term and at all times thereafter, the Executive shall fully cooperate with the Company in defense of legal claims asserted against the Company and other matters requiring the testimony or input and knowledge of the Executive. If at any time the Executive should be required to cooperate with the Company pursuant to this Section 6(c), the Company agrees to promptly reimburse the Executive for reasonable documented costs and expenses incurred as a result thereof. The Executive agrees that, during the Term and at all times thereafter, the Executive will not speak or communicate with any party or representative of any party, who is known to the Executive to be either adverse to the Company in litigation or administrative proceedings or to have threatened to commence litigation or administrative proceedings against the Company, with respect to the pending or threatened legal action, unless the Executive receives the written consent of the Company to do so, or is otherwise compelled by law to do so, and then only after advance notice to the Company. Nothing herein shall prevent the Executive from pursuing any claim in connection with enforcing or defending the Executive's rights or obligations under this Agreement, or engaging in any activity as set forth in Section 14 of this Agreement.
- (d) Non-Competition. For the period of Executive's employment with the Company and its subsidiaries and for twelve (12) months following Executive's Termination Date with the Company and its subsidiaries for any reason (the "Non-Competition Period"), Executive shall not, directly or indirectly, without the Executive Approval, own, manage, operate, join, control, be employed by, consult with or participate in the ownership, management, operation or control of, or be connected with (as a stockholder, partner, or otherwise), any entity listed on Appendix A attached to this Agreement, or any of their current or future divisions, subsidiaries or affiliates (whether majority or minority owned), even if said division, subsidiary or affiliate becomes unrelated to the entity on Appendix A at some future date, or any other entity engaged in a business that is competitive with the Company in any part of the world in which the Company conducts business or is actively preparing or considering conducting business ("Competing Entity"); provided, however, that the "beneficial ownership" by the Executive, either individually or by a "group" in which the Executive is a member (as such terms are used in Rule 13d of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), of less than 2% of the voting stock of any publicly held corporation shall not be a violation of this Section 6(d). The Executive acknowledges and agrees that any consideration that the Executive received in respect of any non-competition covenant in favor of the Company or its subsidiaries entered into prior to the date hereof shall be incorporated herein as consideration for the promises set forth in this Section 6(d) and that the provisions contained in this Section 6(d) shall supersede any prior non-competition covenants between the Executive and the Company or its subsidiaries.
- (e) Non-Solicitation. For the period of Executive's employment with the Company and its subsidiaries and for twenty-four (24) months following Executive's Termination Date with the Company and its subsidiaries for any reason ("Non-Solicitation Period"), the Executive shall not, either directly or indirectly, alone or in conjunction with another party, interfere with or harm, or attempt to interfere with or harm, the relationship of the Company with any person who at any time was a customer or supplier of the Company or otherwise had a business relationship with the Company. During the Non-Solicitation Period, the Executive shall not hire, solicit for hire, aid in or facilitate the hire, or cause to be hired, either as an employee, contractor or consultant, any person who is currently employed, or was employed at any time during the six-month period prior thereto, as an employee, contractor or consultant of the Company. The Executive acknowledges and agrees that any consideration that the Executive received for in respect of any non-solicitation covenant in favor of the Company or its subsidiaries entered into prior to the date hereof shall be incorporated herein as consideration for the promises set forth in this Section 6(e) and that the provisions contained in this

Section 6(e) shall supersede any prior non-solicitation covenants between the Executive and the Company or its subsidiaries.

- (f) Confidentiality of this Agreement. Unless this Agreement is required to be publicly disclosed under applicable U.S. securities laws, the Executive agrees that, during the Term and at all times thereafter, the Executive shall not speak about, write about, or otherwise publicize or disclose to any third party the terms of this Agreement or any fact concerning its negotiation, execution or implementation, except with (i) an attorney, accountant, or other advisor engaged by the Executive; (ii) the Internal Revenue Service or other governmental agency upon proper request; or (iii) the Executive's immediate family; provided, that all such persons agree in advance to keep said information confidential and not to disclose it to others. This Section 6(f) shall not prohibit Executive from disclosing the terms of this Section 6 to a prospective employer.
- (g) Remedies. The Executive agrees that any breach of the terms of this Section 6 would result in irreparable injury and damage to the Company for which the Company would have no adequate remedy at law; the Executive therefore also agrees that in the event of said breach or any threat of breach, the Company shall be entitled to an immediate injunction and restraining order to prevent such breach and/or threatened breach and/or continued breach by the Executive and/or any and all persons and/or entities acting for and/or with the Executive, without having to prove damages. The terms of this Section 6(g) shall not prevent the Company from pursuing any other available remedies for any breach or threatened breach hereof, including but not limited to the recovery of damages from the Executive. The Executive and the Company further agree that the confidentiality provisions and the covenants not to compete and solicit contained in this Section 6 are reasonable and that the Company would not have entered into this Agreement but for the inclusion of such covenants herein. The parties agree that the prevailing party shall be entitled to all costs and expenses, including reasonable attorneys' fees and costs, in addition to any other remedies to which either may be entitled at law or in equity in connection with the enforcement of the covenants set forth in this Section 6. Should a court with jurisdiction determine, however, that all or any portion of the covenants set forth in this Section 6 is unreasonable, either in period of time, geographical area, or otherwise, the parties hereto agree that such covenants or portion thereof should be interpreted and enforced to the maximum extent that such court deems reasonable. In the event of any violation of the provisions of this Section 6, the Executive acknowledges and agrees that the post-termination restrictions contained in this Section 6 shall be extended by a period of time equal to the period of such violation, it being the intention of the parties hereto that the running of the applicable post-termination of employment restriction period shall be tolled during any period of such violation. In the event of a material violation by the Executive of this Section 6, any severance being paid to the Executive pursuant to Section 2 of this Agreement or otherwise shall immediately cease, and the aggregate gross amount of any severance previously paid to the Executive shall be immediately repaid to the Company.
- (h) The provisions of this Section 6 shall survive any termination of this Agreement and any termination of the Executive's employment, and the existence of any claim or cause of action by the Executive against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the covenants and agreements of this Section 6.

7. Successors and Assigns.

- (a) This Agreement shall be binding upon and shall inure to the benefit of the Company, its successors and assigns, and the Company shall require any successor or assign to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. The term "the Company" as used herein shall include any such successors and assigns to the Company's business and/or assets. The term "successors and assigns" as used herein shall mean a corporation or other entity acquiring or otherwise succeeding to, directly or indirectly, all or substantially all the assets and business of the Company (including this Agreement) whether by operation of law or otherwise.

(b) Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by the Executive, the Executive's beneficiaries or legal representatives, except by will or by the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal personal representative.

8. Arbitration. Except with respect to the remedies set forth in Section 6(g) hereof, any controversy or claim between the Company or any of its affiliates and the Executive arising out of or relating to this Agreement or its termination shall be settled and determined by a single arbitrator whose award shall be accepted as final and binding upon the parties. The American Arbitration Association, under its Employment Arbitration Rules, shall administer the binding arbitration. The arbitration shall take place in Columbus, Ohio. The Company and the Executive each waive any right to a jury trial or to a petition for stay in any action or proceeding of any kind arising out of or relating to this Agreement or its termination and agree that the arbitrator shall have the authority to award costs and attorney fees to the prevailing party.

9. Effect on Prior Agreements. Except as otherwise set forth herein, this Agreement supersedes all provisions in prior agreements, either express or implied, between the parties hereto, with respect to post-termination payments and/or benefits; provided, that, this Agreement shall not supersede the Company's 2005, 2007 or 2016 Long-Term Incentive Plans (or any other applicable equity plan) or any applicable award agreements evidencing equity-based incentive awards thereunder (the "Equity Documents"), and any rights of the Executive with respect to equity-based incentive awards hereunder shall be in addition to, and not in lieu of, any rights pursuant to the Equity Documents. No provisions of this Agreement shall supersede or nullify the clawback provisions in the Equity Documents or any of the applicable Company incentive compensation plans.

10. Notice. For the purposes of this Agreement, notices and all other communications provided for in this Agreement (including the Notice of Termination) shall be in writing and shall be deemed to have been duly given when personally delivered or sent by registered or certified mail, return receipt requested, postage prepaid, or upon receipt if overnight delivery service or facsimile is used, addressed as follows:

To the Executive:

To Executive's last home address as listed in the books and records of the Company.

To the Company:

Abercrombie & Fitch Management Co.
6301 Fitch Path
New Albany, Ohio 43054
Attn: General Counsel

11. Miscellaneous. No provision of this Agreement may be modified, waived, or discharged unless such waiver, modification, or discharge is agreed to in writing and signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

12. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Ohio without giving effect to the conflict of law principles thereof. Except as provided in Section 8, any actions or proceedings instituted under this Agreement with respect to any matters arising under or related to this Agreement shall be brought and tried only in the Court of Common Pleas, Franklin County, Ohio.

13. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

14. Protected Rights. Nothing contained in this Agreement limits Executive's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"). Executive further understands that this Agreement does not limit Executive's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. This Agreement does not limit Executive's right to receive an award from a Government Agency for information provided to any Government Agency.

IN WITNESS WHEREOF, the undersigned has hereto set her hand this 1st day of December, 2020.

/s/ Holly L. May

Holly L. May

IN WITNESS WHEREOF, the undersigned has hereto set his/her hand this 1st day of December, 2020.

/s/ Fran Horowitz

Fran Horowitz
Chief Executive Officer
Abercrombie & Fitch Co.

Appendix A to EXHIBIT A

(all current and future (as described in Section 6(d) of the Agreement) subsidiaries, divisions and affiliates of the entities below)

American Eagle Outfitters, Inc.	Gap, Inc.
J. Crew Group, Inc.	Pacific Sunwear of California, Inc.
Urban Outfitters, Inc.	Aeropostale, Inc.
Polo Ralph Lauren Corporation	Ascena Retail Group
Lululemon Athletica, Inc.	Levi Strauss & Co.
L Brands (formerly known as Limited Brands, including, without limitation, Victoria's Secret, Pink, Bath & Body Works, La Senza and Henri Bendel)	Express, Inc.
Nike, Inc.	Under Armour, Inc.
Amazon.com, Inc.	

Subsidiaries of Abercrombie & Fitch Co.:	State or Other Jurisdiction of Incorporation or Organization:
1. Abercrombie & Fitch Holding Corporation (a)	Delaware
2. Abercrombie & Fitch Distribution Company (b)	Ohio
3. Abercrombie & Fitch Management Co. (b)	Delaware
4. A & F Trademark, Inc. (c)	Delaware
5. Abercrombie & Fitch Stores, Inc. (c)	Ohio
6. Hollister Co. (c)	Delaware
7. Abercrombie & Fitch International, Inc. (c)	Delaware
8. Fan Company, LLC (c)	Ohio
9. Canoe, LLC (c)	Ohio
10. Crombie, LLC (c)	Ohio
11. DFZ, LLC (c)	Ohio
12. NSOP, LLC (c)	Ohio
13. J.M.H. Trademark, Inc. (d)	Delaware
14. Abercrombie & Fitch Europe SAGL (o)	Switzerland
15. Abercrombie & Fitch Hong Kong Limited (f)	Hong Kong
16. AFH Puerto Rico LLC (f)	Ohio (Qualified in PR)
17. A&F Canada Holding Co. (f)	Delaware
18. Abercrombie & Fitch Trading Co. (g)	Ohio
19. AFH Canada Stores Co. (h)	Nova Scotia
20. AFH Japan GK (i)	Japan
21. Abercrombie & Fitch Italia SRL (i)	Italy
22. Abercrombie & Fitch (UK) Limited (i)	United Kingdom
23. AFH Stores UK Limited (i)	United Kingdom
24. Abercrombie & Fitch (France) SAS (i)	France
25. Abercrombie & Fitch (Spain) S.L. (i)	Spain
26. Abfico Netherlands Distribution B.V. (i)	The Netherlands
27. AFH Hong Kong Limited (i)	Hong Kong
28. A&F Hollister Ireland Limited (i)	Ireland
29. AFH Hong Kong Stores Limited (i)	Hong Kong
30. AFH Singapore Pte. Ltd. (i)	Singapore
31. A&F HCo Stores AT GmbH (i)	Austria
32. AFH Belgium SPRL (i)*	Belgium
33. AFH Korea Yuhan Hoesa (i)	South Korea
34. AFH Poland Sp. z.o.o. (i)	Poland
35. AFH Co. Stores Netherlands B.V. (i)	The Netherlands
36. AFH Fulfillment NL B.V. (i)	The Netherlands
37. AFH Taiwan Co., Ltd. (i)	Taiwan
38. AFH Logistics DWC-LLC (i)	Dubai
39. Abercrombie & Fitch Procurement Services, LLC (j)	Ohio
40. Hollister Co. California, LLC (j)	California
41. AFH Germany GmbH (k)	Germany
42. AFH Sweden Aktiebolag (k)	Sweden
43. AFH Trading (Shanghai) Co., LTD. (l)	Peoples Republic of China
44. AFH International Trading Shanghai Co., Ltd. (l)	Peoples Republic of China

45. Hollister Fashion L.L.C (m)	Dubai
46. AFH BLP HK Limited (i)	Hong Kong
47. AFH Netherlands I B.V. in Liquidation (r)	Netherlands
48. Majid Al Futtaim Apparel Ready Wear/WLL (p)	Kuwait
49. Abercrombie & Fitch Europe Holding GmbH in Liquidation (m)	Switzerland
50. Abercrombie & Fitch Holding B.V. (q)	Netherlands
51. Abercrombie & Fitch Worldwide Holding LLC (f)	Ohio
52. AF 1892 Mexico, S. de R. L. de C.V. (s)	Mexico
53. Abercrombie & Fitch Foundation (a)	Ohio

- (a) Wholly-owned subsidiary of Abercrombie & Fitch Co., the registrant
- (b) Wholly-owned subsidiary of Abercrombie & Fitch Holding Corporation
- (c) Wholly-owned subsidiary of Abercrombie & Fitch Management Co.
- (d) Wholly-owned subsidiary of A&F Trademark, Inc.
- (e) Wholly-owned subsidiary of Abercrombie & Fitch Stores, Inc.
- (f) Wholly-owned subsidiary of Abercrombie & Fitch International, Inc.
- (g) Wholly-owned subsidiary of J.M.H. Trademark, Inc.
- (h) Wholly-owned subsidiary of A&F Canada Holding Co.
- (i) Wholly-owned subsidiary of Abercrombie & Fitch Europe SAGL
- (j) Wholly-owned subsidiary of Abercrombie & Fitch Trading Co.
- (k) Wholly-owned subsidiary of Abfico Netherlands Distribution B.V.
- (l) Wholly-owned subsidiary of AFH Hong Kong Limited
- (m) Subsidiary of Majid Al Futtaim Fashion LLC (51.33%) and AFH Logistics DWC-LLC (48.67%)
- (n) Wholly-owned subsidiary of AFH Netherlands I B.V. in liquidation
- (o) Wholly-owned subsidiary of Abercrombie & Fitch Holding B.V.
- (p) A&F has no equity interest in this joint venture
- (q) Subsidiary of Abercrombie & Fitch Trading Co. (51.2 %) and Abercrombie & Fitch Europe Holding GmbH in liquidation (48.8 %)
- (r) Wholly-owned subsidiary of Abercrombie & Fitch Worldwide Holding LLC
- (s) Subsidiary of Abercrombie & Fitch International, Inc. (99.0 %) and Abercrombie & Fitch Worldwide Holding LLC (1.0 %)

* Abfico Netherlands Distribution B.V. owns .0018% of AFH Belgium SPRL., and Abercrombie & Fitch Europe Sagl owns the remaining 99.9982%.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-15941, 333-15945, 333-60189, 333-81373, 333-100079, 333-107646, 333-107648, 333-128000, 333-145166, 333-176135, 333-212059, 333-212060, 333-218761, 333-218762, 333-227271, 333-233714, 333-239074 and 333-239079) of Abercrombie & Fitch Co. of our report dated March 29, 2021 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Columbus, Ohio
March 29, 2021

POWER OF ATTORNEY

The undersigned director of Abercrombie & Fitch Co., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for the fiscal year ended January 30, 2021 under the provisions of the Securities Exchange Act of 1934, as amended, with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Fran Horowitz and Scott D. Lipesky, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent, or his/her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 29th day of March, 2021.

/s/ TERRY L. BURMAN

Terry L. Burman

POWER OF ATTORNEY

The undersigned officer and director of Abercrombie & Fitch Co., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for the fiscal year ended January 30, 2021 under the provisions of the Securities Exchange Act of 1934, as amended, with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Scott D. Lipesky, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 29th day of March, 2021.

/s/ FRAN HOROWITZ

Fran Horowitz

POWER OF ATTORNEY

The undersigned officer of Abercrombie & Fitch Co., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for the fiscal year ended January 30, 2021 under the provisions of the Securities Exchange Act of 1934, as amended, with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Fran Horowitz, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent, or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 29th day of March, 2021.

/s/ SCOTT D. LIPESKY

Scott D. Lipesky

POWER OF ATTORNEY

The undersigned director of Abercrombie & Fitch Co., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for the fiscal year ended January 30, 2021 under the provisions of the Securities Exchange Act of 1934, as amended, with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Fran Horowitz and Scott D. Lipesky, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent, or his/her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 29th day of March, 2021.

/s/ KERRI B. ANDERSON

Kerri B. Anderson

POWER OF ATTORNEY

The undersigned director of Abercrombie & Fitch Co., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for the fiscal year ended January 30, 2021 under the provisions of the Securities Exchange Act of 1934, as amended, with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Fran Horowitz and Scott D. Lipesky, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent, or his/her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 29th day of March, 2021.

/s/ FELIX J. CARBULLIDO

Felix J. Carbullido

POWER OF ATTORNEY

The undersigned director of Abercrombie & Fitch Co., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for the fiscal year ended January 30, 2021 under the provisions of the Securities Exchange Act of 1934, as amended, with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Fran Horowitz and Scott D. Lipesky, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent, or his/her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 29th day of March, 2021.

/s/ SUSIE COULTER

Susie Coulter

POWER OF ATTORNEY

The undersigned director of Abercrombie & Fitch Co., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for the fiscal year ended January 30, 2021 under the provisions of the Securities Exchange Act of 1934, as amended, with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Fran Horowitz and Scott D. Lipesky, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent, or his/her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 29th day of March, 2021.

/s/ SARAH M. GALLAGHER

Sarah M. Gallagher

POWER OF ATTORNEY

The undersigned director of Abercrombie & Fitch Co., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for the fiscal year ended January 30, 2021 under the provisions of the Securities Exchange Act of 1934, as amended, with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Fran Horowitz and Scott D. Lipesky, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent, or his/her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 29th day of March, 2021.

/s/ JAMES A. GOLDMAN

James A. Goldman

POWER OF ATTORNEY

The undersigned director of Abercrombie & Fitch Co., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for the fiscal year ended January 30, 2021 under the provisions of the Securities Exchange Act of 1934, as amended, with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Fran Horowitz and Scott D. Lipesky, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent, or his/her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 29th day of March, 2021.

/s/ MICHAEL E. GREENLEES

Michael E. Greenlees

POWER OF ATTORNEY

The undersigned director of Abercrombie & Fitch Co., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for the fiscal year ended January 30, 2021 under the provisions of the Securities Exchange Act of 1934, as amended, with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Fran Horowitz and Scott D. Lipesky, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent, or his/her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 29th day of March, 2021.

/s/ ARCHIE M. GRIFFIN

Archie M. Griffin

POWER OF ATTORNEY

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EXECUTED as of the 29th day of March, 2021.

/s/ HELEN E. MCCLUSKEY

Helen E. McCluskey

POWER OF ATTORNEY

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EXECUTED as of the 29th day of March, 2021.

/s/ CHARLES R. PERRIN

Charles R. Perrin

POWER OF ATTORNEY

The undersigned director of Abercrombie & Fitch Co., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for the fiscal year ended January 30, 2021 under the provisions of the Securities Exchange Act of 1934, as amended, with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Fran Horowitz and Scott D. Lipesky, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent, or his/her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 29th day of March, 2021.

/s/ KENNETH B. ROBINSON

Kenneth B. Robinson

POWER OF ATTORNEY

The undersigned director of Abercrombie & Fitch Co., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for the fiscal year ended January 30, 2021 under the provisions of the Securities Exchange Act of 1934, as amended, with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Fran Horowitz and Scott D. Lipesky, and each of them, with full power of substitution and resubstitution, as attorney-in-fact and agent to sign for the undersigned, in any and all capacities, such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K, with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent, or his/her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 29th day of March, 2021.

/s/ NIGEL TRAVIS

Nigel Travis

CERTIFICATIONS

I, Fran Horowitz, certify that:

1. I have reviewed this Annual Report on Form 10-K of Abercrombie & Fitch Co. for the fiscal year ended January 30, 2021;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2021

By: /s/ Fran Horowitz

Fran Horowitz
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Scott D. Lipesky, certify that:

1. I have reviewed this Annual Report on Form 10-K of Abercrombie & Fitch Co. for the fiscal year ended January 30, 2021;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2021

By: /s/ Scott D. Lipesky

Scott D. Lipesky
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

