URBAN OUTFITTERS, INC.

Second Quarter Fiscal 2013 ended July 31st, 2012
Management Commentary

Summary Highlights

The following are highlights from our Second Quarter Fiscal Year 2013 performance versus the comparable quarter last year:

- Net sales increased 11% to $676 million.
- Comparable Retail Segment net sales, which include our direct-to-consumer channel, increased 4%, including a 1% decrease in comparable store net sales and a 22% increase in direct-to-consumer net sales.
- By major brand, comparable retail segment net sales at Free People and Urban Outfitters increased 12% and 6%, respectively, while Anthropologie was flat.
- Wholesale net sales increased 17% to $37 million.
- Gross profit increased 10% to $255 million, while gross profit rate decreased 30 basis points to 37.6%
- Income from operations increased 9% to $96 million, or an operating margin of 14.2%.
- Net income was $61 million or $0.42 per diluted share.

Revenue

Retail Stores - The Company opened 14 new stores and closed 1 store during the quarter bringing the global store count to 456.

Within the quarter, total Company comparable store net sales were strongest in May, followed by June, then July. The comparable store net sales decline was driven by a 3.7% decrease in average unit selling prices and a 1.2% decrease in average number of units per transaction, partially offset by a 3.7% increase in total transactions.

Direct-to-Consumer – Direct-to-consumer net sales increased 22% to $138 million, with the penetration of total direct-to-consumer to total company net sales increasing 190 basis points to 20%. These results were largely driven by a 31% increase in website traffic to more than 42 million visitors.

Wholesale Segment– Wholesale segment revenues increased 17% to $37 million in the quarter, driven by an 18% increase at Free People partially offset by the reduction in Leifsdottir sales resulting from the transition of Leifsdottir to the Anthropologie brand.

Brand Highlights for the second quarter

Anthropologie – The brand opened 4 new stores and closed 1 store during the quarter bringing the global store count to 173. Square footage increased 7% to 1,242,680. Comparable retail segment net sales, which include the direct-to-consumer channel, were flat. By region sales were weakest in Canada. By venue sales were strongest in free standing locations and weakest in metro locations. By merchandise category, accessories and home were the strongest.

Free People – The brand opened 3 new stores during the quarter bringing the total store count to 72. Square footage increased 40% to 98,957. Comparable retail segment net sales, which include the direct-to-consumer channel, increased 12%. By region sales were strongest in the Northeast and weakest in the West. By venue sales were strongest in traditional malls and weakest in street locations. By merchandise category women's apparel was the strongest.

Urban Outfitters– The brand opened 6 new stores in the quarter bringing the global store count to 207. Square footage increased 12% to 1,851,404. Comparable retail segment net sales, which include the direct-to-consumer channel, increased 6%. Domestically, by region, sales were strongest in the East and weakest in Canada. In Europe, sales were strongest in Continental Europe and weakest in London. Domestically, by venue sales were strongest in malls and weakest in metro locations. By merchandise category men's apparel and accessories were the strongest.

Other Brands – Other brands include Terrain and BHLDN in the current year and Terrain, BHLDN and Leifsdottir in the prior year. Revenues for other brands increased by $4 million, driven by new and non-comparable stores and the growth in the direct-to-consumer channels.

Gross Margin

Gross profit in the quarter increased 10% to $255 million. Gross profit rate declined by 30 basis points versus the prior year's comparable period. The decrease in gross profit rate was primarily due to the deleveraging of initial merchandise costs and store occupancy costs both of which were partially offset by a reduction in merchandise markdowns. The deleverage of initial merchandise cost is due in part to the mix of our assortment as well as an increase in web exclusive product sold through our direct-to-consumer channel. The deleverage of store occupancy costs was related to negative comparable store net sales as well as an increased number of store openings versus the prior year comparable quarter.

SG & A

Total selling, general and administrative expenses for the quarter, expressed as a percentage of sales decreased by 4 basis points to 23.4%.

Other Income Statement Items

The Company's effective tax rate was 36.2% in both periods. The company expects the annual effective tax rate to be approximately 36.5% for the full year.

Balance Sheet and Cash flow Items

Cash, Cash Equivalents and Marketable Securities decreased from the prior year by $246 million to $363 million. This decrease primarily relates to share repurchases that occurred during the prior fiscal year.

Total inventories increased $20 million to $323 million, a 7% increase over the prior year period. The growth in total inventories is primarily due to the acquisition of inventory to stock new and non-comparable stores and inventory related to the growth in our direct-to-consumer channel, partially offset by a 5% decrease in comparable store inventories

Total capital spending was $40 million for the quarter and depreciation and amortization was $28 million for the quarter.