URBAN OUTFITTERS, INC.

Second Quarter, FY'10 Conference Call
August, 13, 2009

Participants

Glen Senk	Chief Executive Officer
John Kyees	Chief Financial Officer
Meg Hayne	President, Free People
Ted Marlow	President, Urban Outfitters
Glen Bodzy	General Counsel
Wendy Brown	Chief Operating Officer, Anthropologie
Bill Cody	Chief Talent Officer
Frank Conforti	Controller
Calvin Hollinger	Chief Information Officer
Andrew McLean	Chief Operating Officer, URBN Europe
Bob Ross	Executive Director of Finance
Freeman Zausner	Chief Administrative Officer
Dave Ziel	Chief Development Officer

Introduction

Good morning, and welcome to the URBN quarterly conference call. Joining me today are John Kyees, our Chief Financial Officer and our senior team including the majority of our brand and operational leads.

Earlier today the Company issued a press release outlining the financial and operating results for the three and six month periods ending July 31, 2009. I will begin today's call by reading prepared remarks regarding our performance; then the group and I will be pleased to answer any questions you may have.

The text of today's conference call can be found on our corporate website at www.urbanoutfittersinc.com.

Highlights

We believe the Company performed admirably in the quarter given the challenging marketplace conditions. To summarize second quarter fiscal 2010 results compared to the same period last year:

- The Company reported $78 million of income from operations, resulting in an operating margin over 17%.
- Earnings were $49 million or $0.29 per diluted share despite an increase in the quarter's tax rate.
- Total Company sales increased by 1% to $459 million.
- Comparable retail segment sales, which includes our Direct-to-consumer channel, decreased by 3%.
- Comparable store ('comp') sales decreased by 6%, with reductions of 4%, 16% and 8% respectively at Anthropologie, Free People and Urban Outfitters.
- Direct-to-consumer sales jumped 17% despite a 2% reduction in circulation, with all three brands posting double-digit increases.
- Wholesale revenues declined by 7% to $26 million.
- Gross margins declined 26 basis points, with significant gains in initial markups being offset principally by an increase in merchandise markdowns to clear seasonal product and a higher rate of store occupancy expense driven by the decrease in comparable store sales.
- Comparable store inventories decreased 7% by quarter's end.
- Selling, general and administrative expenses, expressed as a percentage of sales, increased by 89 basis points largely due to the deleveraging of fixed, store-related costs and the impact of a one-time development expense associated with a prospective Terrain location.
- Finally, cash, cash equivalents and marketable securities grew by $155 million to $583 million.

I'll now go into more detail on each of our key business metrics for the quarter, starting with sales:

Retail Sales

New and non-comparable store sales contributed $18 million for the quarter, including an offset of $10.7 million in currency translation adjustments to the 'comp' for foreign-based sales. The Company opened 10 new stores—4 Anthropologie stores, 1 Free People store and 5 Urban Outfitters stores.

Within the quarter, 'comp' sales performance was consistent in May and July and weakest in June. By region, sales at Anthropologie were strongest in the South, sales at Urban Outfitters were strongest in the Midwest, and sales at both brands lagged on the

West Coast. By location type, sales were strongest in malls for both brands and weakest in metropolitan locations for Anthropologie and lifestyle centers for Urban Outfitters.

Transaction counts for the quarter were flat, with increases of 2% and 11% at Anthropologie and Free People respectively, and a 2% decrease at Urban Outfitters. Store's average unit selling prices decreased by 1%—up 1% at Anthropologie, and down 23% and 2% at Free People and Urban Outfitters respectively. Units per transaction decreased 5% on average—down 7%, 1% and 4% at Anthropologie, Free People and Urban Outfitters respectively.

Direct sales for the quarter increased 17% to $71 million despite a circulation decrease of 2%. The penetration of Direct-to-consumer sales to total Company sales increased by 215 basis points to 15.5%, underscoring a shift in the way our consumer is shopping. These results were driven by over 19 million website visits, a gain of 22% or three-and-a-half million visits from the prior year's quarter.

Our Direct-to-consumer business was double-digit positive at all brands, and at Free People, with just 18 out of the 33 Free People stores falling into the 'comp' group, Direct-to-consumer revenue exceeded 'comp' store revenue yet again.

By merchandise category, at Anthropologie, the women's accessories business led the pace and at Urban Outfitters, the women's apparel business was strongest. We exited the second quarter with strong fall fashion cues and I believe we are well positioned for the second half of the year.

As I've communicated consistently throughout the spring, the customer is seeking fashion and there's practically no evidence of price elasticity on compelling product. Undistinguished basics, or any commodity-like product, is another story altogether—there it's a buyer's market and the right price is critical.

I believe the challenging environment has triggered profound changes in the consumer psyche. As we move into the "new normal", I believe the customer will be more discriminating, I believe she'll be looking for authenticity, I believe she'll modulate the way she shops for commodity product versus special product, and I believe she'll shop brands whose values she shares—all changes that I believe will play to our strengths for years to come.

Wholesale Sales

Now let me turn your attention to wholesale.

With the addition of Leifsdottir, total quarterly wholesale revenue declined by 7% versus the same quarter last year.

Free People's wholesale revenue decreased by 13% for the quarter, with sales to department stores decreasing by 9% and sales to specialty stores decreasing by 21%, in large part due to credit quality. The brand's regular price average unit selling price decreased by 4% and regular price unit sales declined by 9%. I believe Free People outperformed most brands on the contemporary floor, and we ended the quarter achieving our desired inventory plan with all of our major partners. Fall and holiday deliveries are modestly below last year, so it is likely the current trend will continue over the short term.

Leifsdottir, the Company's new wholesale line, generated revenue of $2.0 million in the quarter. The selling at our retail partners has far exceeded expectation, so we are encouraged by the brand's potential.

Gross Margin, SGA and Income

I'd like to now turn your attention to gross margin, operating expense and income.

Gross Margin

Despite the reduction in 'comp' sales, gross margins for the quarter decreased by just 26 basis points to 40.8%. The Company continued to experience meaningful gains in initial margin, which were more than offset by an increase in markdowns to clear seasonal product and a higher rate of store occupancy expense driven by the decrease in comparable store sales.

SG & A

The organization continued to aggressively control expenses. Total selling, general and administrative costs for the quarter, as a percent of sales, rose by 89 basis points to 23.7%, largely reflecting de-leverage of fixed store expenses due to the decline in the 'comp', and one-time site development expenses associated with a prospective Terrain location.

Income

The Company generated an impressive 17.1% operating margin, earning $78 million of income from operations, a decrease of 5% versus the same quarter last year. Our net income for the quarter was $49 million, with earnings per diluted share of $0.29, a decrease of 14% from the prior year. The Company's quarterly tax rate closed at 38.3%, versus 33.2% during the prior year, primarily due to substantial tax rate increases in certain municipalities where we have sizeable volumes of business, and a lower proportion of holdings income from tax-free securities based on a strategic shift to lower-risk investments.

Closing Comments

I closed our last call by remarking that I was feeling more optimistic than I had since October 2008, and I added, that in many ways, I was feeling more optimistic than ever about the long term prospects for URBN. The good news? I continue to feel that way.

I couldn't be more proud of how our team has reacted over the last nine months. They're responded to the changes in the environment at breakneck speed, and they've proven that they're as good at inventory and expense discipline as they are at creating compelling brands. URBN's culture has always emphasized a balance of creativity and control, and the team has exhibited an exceptional level of discipline that will reap benefits for years to come.

What the numbers don't illustrate is the investment we've continued to make in our business including:

- A joint venture agreement with our largest Asian buying agent in support of our concept-to-market strategy—the strategy that will give the planning, merchant and design teams an unprecedented level of flexibility to get the right product at the right price in the right place at the right time
- A multitude of web-based initiatives including site-redesigns, increased functionalities, expanded product offerings, strategies to monetize social media and the addition of a mobile site for the Urban Outfitters brand
- A marketing and business intelligence database that will profoundly impact all of our brands and channels
- A 50% increase in the size and capacity of our East coast distribution center
- A European infrastructure that will ultimately resemble the North American infrastructure, providing necessary support for an ambitious European expansion
- Proof-of-concept tests on Terrain and Leifsdottir, plus early-stage development of other potential new brands
- And last, but most important, an increasing level of investment in people—our single greatest asset

Our team has proven that they are adept at driving profit in the face of challenging fundamentals, and equally important, they are likewise committed to growth, with continued focus on four main strategies:

- Increasing productivity in all of our core businesses
- Elevating the penetration of direct-to-consumer sales to total Company sales
- Driving international expansion
- And adding new brands to the URBN portfolio

For a Company that's achieved an average of 26% annual revenue growth and 7% annual 'comp' growth since 2001, single-digit sales increases are not in our corporate DNA. We do not believe that the country will be returning to 2007 consumer spending levels anytime soon, but we feel the environment reflects a degree of heightened stability, and we are confident that there is abundant opportunity for growth.

The changes facing our industry are profound, and the future belongs to those who are disciplined, nimble and unafraid to challenge the prevailing mindset. The URBN family is committed to doing all of that and more. We will compete the way we always do—by remaining wholly customer-focused and working hard to excite the customer on a daily basis; by taking managed risks so that we stimulate the customer with newness and innovation; and by making our stores, catalogs and websites unexpected, fun and utterly compelling—all while mining the opportunity to transform our business for the next generation of consumers.

Our Company's overarching goal has been constant and simple: to grow revenue by at least 20%, to grow profit at a faster rate than sales, and to reach a minimum of 20% operating margin. As always, the leadership team and I look forward to continuing to inspire our customers and reward our shareholders and employees alike.

<u>Q & A</u>

I will now open the call to questions. As is our custom, I ask each of you to limit yourselves to one question. I apologize in advance—if you ask more than one question, we will respectfully respond only to your first query. Thank you.