SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended January 31, 2004

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition from to

Commission File No. 000-22754

URBAN OUTFITTERS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Pennsylvania	**23-2003332**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
1809 Walnut Street, Philadelphia, PA	**19103**
(Address of Principal Executive Offices)	**(Zip Code)**

(215) 564-2313
Registrant's telephone number, including area code:

Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act:
Common Shares, $.0001 par value
(Title of Class)

Indicate by checkmark 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 checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in a definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by checkmark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☒ No ☐

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of July 31, 2003, the last business day of the registrant's most recently completed second fiscal quarter, was $512,632,278.

The number of shares outstanding of the registrant's common stock on April 9, 2004 was 40,179,171.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Items 10, 11, 12, 13 and 14 is incorporated by reference into Part III hereof from portions of the Proxy Statement for Registrant's 2004 Annual Meeting of Shareholders.

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This Securities and Exchange Commission filing is being made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Certain matters contained in this filing may constitute forward-looking statements. When used in this Form 10-K, the words "project," "believe," "anticipate," "expect" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Any one, or all, of the following factors could cause actual financial results to differ materially from those financial results mentioned in the forward-looking statements: the difficulty in predicting and responding to shifts in fashion trends, changes in the level of competitive pricing and promotional activity and other industry factors, overall economic and market conditions and the resultant impact on consumer spending patterns, any effects of terrorist acts or war, availability of suitable retail space for expansion, timing of store openings, seasonal fluctuations in gross sales, the departure of one or more key senior managers, import risks, including potential disruptions and changes in duties, tariffs and quotas and other risks identified in our filings with the Securities and Exchange Commission. We disclaim any intent or obligation to update forward-looking statements even if experience or future changes make it clear that actual results may differ materially from any projected results expressed or implied therein.

Unless the context otherwise requires, all references to "Urban Outfitters," "the Company," "we," "us" or "our company" refer to Urban Outfitters, Inc., together with its subsidiaries. The Company operates on a fiscal year ending January 31. All references to fiscal years of the Company refer to fiscal years ended on January 31 in those years. For example, the Company's fiscal 2004 ended on January 31, 2004.

PART I

Item 1. Business

General

We are an innovative lifestyle merchandising company that operates specialty retail stores under the Urban Outfitters, Anthropologie and Free People brands, as well as a wholesale division under the Free People brand. We have over 30 years of experience creating and managing retail stores that offer highly differentiated collections of fashion apparel, accessories and home goods in inviting and dynamic store settings. Our core strategy is to provide unified store environments that establish emotional bonds with the customer. In addition to our retail stores, we offer our products and market our brands directly to the consumer through our e-commerce web sites, *www.urbn.com* and *www.anthropologie.com*, and the Urban Outfitters and Anthropologie catalogs. We have achieved compounded annual sales growth of 21% over the past five years, with sales of approximately $548.4 million in fiscal 2004.

We opened our first store in 1970 near the University of Pennsylvania campus in Philadelphia. We were incorporated in Pennsylvania in 1976, and opened our second store in Harvard Square, Cambridge, Massachusetts in 1980. The first Anthropologie store opened in a suburb of Philadelphia in October 1992. We opened our first Free People store in the Garden State Plaza Mall in Paramus, New Jersey in November 2002.

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed with, or furnished to, the United States Securities and Exchange

Commission ("SEC") pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on our investor relations web site, *www.urbanoutfittersinc.com*, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the SEC. We will voluntarily provide electronic or paper copies (other than exhibits) of our filings free of charge upon written request. You may also obtain any materials we file with, or furnish to, the SEC on its web site at *www.sec.gov*.

On August 14, 2003, our Board of Directors authorized a two-for-one split of our common shares in the form of a 100% stock dividend. The additional shares issued as a result of the stock split were distributed on September 19, 2003 to shareholders of record as of September 5, 2003. All relevant amounts included in this annual report as well as in the accompanying consolidated financial statements and the notes thereto have been restated to reflect the stock split for all periods presented.

Retail Segment

Urban Outfitters. Urban Outfitters targets young adults aged 18 to 30 through its unique merchandise mix and compelling store environment. We have established a reputation with these young adults, who are culturally sophisticated, self-expressive and concerned with acceptance by their peer group. The product offering includes women's and men's fashion apparel, footwear and accessories, as well as an eclectic mix of apartment wares and gifts. Apartment wares range from rugs, pillows and shower curtains to books, candles and novelties. Stores average approximately 10,000 square feet of selling space, and typically carry 30,000 to 35,000 stock keeping units, or SKUs. Our stores are located in large metropolitan areas, select university communities as well as enclosed malls and accommodate our customers' propensity not only to shop, but also to congregate with their peers. In fiscal 2004, we circulated over three million Urban Outfitters catalogs in an effort to expand our distribution channels and increase brand awareness. Based on an overwhelmingly positive customer response to the catalog, we plan to expand circulation to approximately eight million catalogs during fiscal 2005. As of April 2, 2004, we operated 61 Urban Outfitters stores in the United States, Canada, the United Kingdom and Ireland, as well as the *www.urbn.com* web site and the Urban Outfitters catalog. Urban Outfitters' North American and European store sales accounted for approximately 46% and 3% of consolidated net sales, respectively, for fiscal 2004.

Anthropologie. Anthropologie tailors its merchandise and inviting store environment to sophisticated and contemporary women aged 30 to 45. Anthropologie's unique and eclectic product assortment includes women's casual apparel and accessories, home furnishings and a diverse array of gifts and decorative items. The home furnishings range from furniture, rugs, lighting and antiques to table top items, bedding and gifts. Stores average approximately 8,000 square feet of selling space, typically carry 20,000 to 25,000 SKUs and are located in specialty retail centers, upscale street locations and enclosed malls. During fiscal 2004, we circulated over 13.3 million catalogs and plan to expand circulation to more than 15.0 million catalogs during fiscal 2005. As of April 2, 2004, we operated 52 Anthropologie stores in the United States, as well as the *www.anthropologie.com* web site and the Anthropologie catalog. Anthropologie's store sales accounted for approximately 39% of consolidated net sales for fiscal 2004.

Free People. Our Free People retail store primarily offers Free People branded merchandise targeted to young contemporary women. Our first Free People retail store, which opened in November 2002, is located in the Garden State Plaza Mall, located in Paramus, New Jersey, and has begun to accomplish our goal of exposing both our wholesale accounts and retail customers to the full Free

People product assortment and store environment and may ultimately help us in distributing our Free People products in department stores using a shop-within-shops sales model. We successfully implemented this model in a select Marshall Fields and a select Bloomingdale's store during fiscal 2004. We believe that the shop-within-shops model will allow for a more complete merchandising of our Free People products and will give us greater freedom in differentiating the presentation of our products, further strengthening brand image.

In addition, in order to further develop and support the Free People brand, we plan to open a limited number of additional Free People stores over the next several years, including one to two stores in fiscal 2005. We also plan to test a new Free People web site in fiscal 2005. We expect that our Free People retail stores will average approximately 1,800 square feet of selling space, will typically carry 1,600 SKUs and will be located in upscale malls. As of April 2, 2004, we operated one Free People Retail store in the United States, which accounted for less than 1% of consolidated net sales for fiscal 2004.

Wholesale Segment

Free People began as a wholesale division and was established in 1984 to develop, in conjunction with Urban Outfitters, private label apparel lines of young women's casual wear that could be effectively sold at attractive pricing in Urban Outfitters stores. In order to achieve minimum production lots, Free People wholesale began selling to other retailers throughout the United States. Free People's range of tops, bottoms, sweaters and dresses are sold worldwide through approximately 1,100 better department and specialty stores, including Bloomingdale's, Marshall Fields, Macy*s West, Urban Outfitters and its own Free People store. Free People currently sells its merchandise primarily under the *Free People* label, as well as the *bdg* label. Monitoring the styles and products that are popular with our wholesale customers gives us insight into current fashion trends that help us better serve our retail customers. Free People presently maintains wholesale sales and showroom facilities in New York City and Los Angeles. Free People wholesale sales accounted for approximately 3% of consolidated net sales for fiscal 2004.

In addition to selling its merchandise to specialty retailers, Free People wholesale also provides production and design services to our retail segment. Free People has its own senior and creative management staff, but shares support services with the retail segment.

Store Environment

We create a unified environment in our stores that establishes an emotional bond with the customer. Every element of the environment is tailored to the aesthetic preferences of our target customers. Through creative design, the existing retail space is modified to incorporate a mosaic of fixtures, finishes and revealed architectural details. In our stores, merchandise is integrated into a variety of creative vignettes and displays designed to offer our customers an entire look at a distinct lifestyle. This dynamic visual merchandising and display technique provides the connection among the grand scale store design, the merchandise and the customer. Essential components of the ambience of each store include playing music that appeals to our target customers, using unique signage and employing a staff that understands and identifies with the target customer.

Creating an individualized and tailored shopping experience for each customer is especially important in our Anthropologie stores. By providing an inviting and pleasant shopping atmosphere and an attentive sales staff, including in-store customer care managers, we strive to create a sense of community in our Anthropologie stores that encourages our target customers to linger and spend time exploring our stores and product offerings.

Our Urban Outfitters stores are often located in unconventional retail spaces, including a former movie theater, bank and stock exchange. A majority of our Urban Outfitters stores that opened in fiscal 2004 were in traditional enclosed shopping malls. We believe these Urban Outfitters mall stores have a faster return on investment and are more productive than their non-mall counterparts. We are planning to open the majority of new Urban Outfitters stores in enclosed mall locations in fiscal 2005. Anthropologie stores are typically placed in unique and non-traditional retail locations. A majority of our Anthropologie stores opened during fiscal 2004 were located in more traditional specialty centers. We also have several Anthropologie stores located in traditional enclosed shopping malls. We plan a similar Anthropologie location expansion strategy in fiscal 2005. Our first Free People retail store was opened in an enclosed shopping mall in fiscal 2003. We expect that our Free People retail stores will average approximately 1,800 selling square feet and will be located in traditional enclosed shopping malls.

Buying Operations

Maintaining a constant flow of fresh, fashionable merchandise for our retail segment is critically important to the on-going performance of our stores and direct-to-consumer operations. We maintain our own buying organizations that select and develop products to satisfy our target customers and that provide us with the appropriate amount of products at the correct time. Merchandise managers supervise several buyers and assistant buyers. These buyers stay in touch with the evolving tastes of their target customers by constantly shopping at the major trade markets, attending national and regional trade shows and staying current with mass media influences, including music, video, film and magazines.

Merchandise

Our Urban Outfitters stores, the *www.urbn.com* web site and the Urban Outfitters catalog offer a wide array of eclectic merchandise, including women's and men's fashion apparel, footwear and accessories, and apartment wares and gifts. Product offerings at our Anthropologie stores, the *www.anthropologie.com* web site and the Anthropologie catalog include women's casual apparel and accessories, as well as home furnishings and an eclectic array of gifts and decorative accessories for the home, garden, bed and bath. Our Free People retail store offers a showcase for apparel developed and designed by our Free People wholesale division along with other branded merchandise. Our merchandise is continuously updated to appeal to our target customers' changing tastes and is supplied by a large number of domestic and foreign vendors, with new shipments of merchandise arriving at our stores several times a week. The wide breadth of merchandise offered by our retail segment includes national brands, as well as exclusive private label merchandise developed and designed by Free People, Urban Outfitters and Anthropologie. This selection allows us to offer fashionable merchandise and to differentiate our product mix from that of traditional department stores, as well as that of other specialty and direct-to-consumer retailers. Private label merchandise generally yields higher gross profit margins than brand name merchandise, and helps to keep our product offerings fresh and unique.

The ever-changing mix of products available to our customers allows us to adapt our merchandise to prevailing fashion trends, and, together with the inviting atmosphere of our stores, encourages our core customers to visit our stores frequently.

We seek to select price points for our merchandise that are consistent with the spending patterns of our target customers. As such, our stores carry merchandise at a wide array of price points that may vary considerably within product categories.

Store Operations

We have organized our retail store operations by brand into geographic areas or districts, each with a district manager. District managers are responsible for several stores and monitor and supervise individual store managers. Each store manager is responsible for overseeing the daily operations of one of our stores. In addition to a store manager, the staff of a typical store includes a visual manager, several departmental managers and a full- and part-time sales staff. The staff of a typical Anthropologie store also includes a customer care manager who helps tailor the shopping experience to the needs of Anthropologie's target customers. Our Free People retail store includes a store manager, a visual coordinator and a full- and part-time sales staff.

An essential requirement for the success of our stores is our ability to attract, train and retain talented, highly motivated store managers, visual managers and other key employees. In addition to management training programs for both newly hired and existing employees, we have a number of retention programs that offer qualitative and quantitative performance-based incentives to district-level managers, store-level managers and full-time sales associates.

Catalogs and Web Sites

In March 1998, Anthropologie introduced a direct-to-consumer catalog offering selected merchandise most of which is also available in our Anthropologie stores. During fiscal 2004, Anthropologie catalog circulation was over 13.3 million. Furthermore, we believe that this catalog has been instrumental in helping to build the Anthropologie brand identity with our target customers. We plan to expand circulation to more than 15.0 million catalogs during fiscal 2005 and continue to modestly increase the level of catalog circulation over the next few years.

Anthropologie operates an Internet web site that accepts orders directly from consumers. The web site, *www.anthropologie.com*, debuted in December 1998. The web site captures the spirit of the store by offering a similar array of apparel, accessories, household and gift merchandise. As with our catalog, we believe that the web site increases Anthropologie's reputation and brand recognition with its target customers and helps support the strength of Anthropologie's store operations.

In March 2003, Urban Outfitters introduced a direct-to-consumer catalog offering selected merchandise much of which is also available in our Urban Outfitters stores. The circulation of the catalog exceeded three million during fiscal 2004. We believe this catalog has expanded our distribution channels and increased brand awareness. Based on an overwhelmingly positive customer response to the catalog, we plan to expand circulation to approximately eight million catalogs in fiscal 2005.

Urban Outfitters also operates an Internet web site that accepts orders directly from consumers. The web site, *www.urbn.com*, was launched in May 2000. The web site captures the spirit of the store by offering a similar selection of merchandise as found in the store. As with the Urban Outfitters catalog, we believe the web site increases the reputation and recognition of the brand with its target customers as well as helps to support the strength of Urban Outfitters store operations.

We plan to test a new Free People web site during the second half of fiscal 2005. We believe this site will further expose consumers to our Free People product assortment.

Direct-to-consumer sales were approximately 9% of consolidated net sales for fiscal 2004.

Marketing and Promotion

We believe that highly visible store locations, creative store design, broad merchandise selection and visual presentation are key enticements for customers to enter and explore our stores and buy merchandise. Consequently, we rely on these factors, as well as the brand recognition created by our direct marketing activities, to draw customers into our stores, rather than on traditional forms of advertising such as print, radio and television media. Marketing activities for each of our retail concepts include special event promotions and a variety of public relations activities designed to create community awareness of our stores and products.

Suppliers

To serve our target customers and to recognize changes in fashion trends and seasonality, we purchase merchandise from numerous foreign and domestic vendors. To the extent that our vendors are located overseas or rely on overseas sources for a large portion of their merchandise, any event causing a disruption of imports, such as the imposition of import restrictions, financial or political instability in any of the countries in which goods we purchase are manufactured, or trade restrictions in the form of tariffs or quotas, or both, could adversely affect our business. During fiscal 2004, we did business with approximately 2,000 vendors. No single vendor accounted for more than 10% of merchandise purchased during that time. While certain of our vendors have limited financial resources and production capabilities, we do not believe that the loss of any one vendor would have a material effect on our business.

Company Operations

Distribution. The majority of merchandise purchased by both our retail and our wholesale businesses is shipped directly to our 191,000 square foot distribution center in Lancaster County, Pennsylvania. We own the facility, which has an advanced computerized materials handling system, and is approximately 60 miles from our home offices in Philadelphia. In addition, we are seeking to expand the capacity of our Lancaster County distribution center. Such expansion should be operational in fiscal 2006.

We also utilize a distribution facility in Reno, Nevada operated by a third-party. This facility services our stores in the western United States at a favorable freight cost per unit, and provides faster turnaround from selected vendors. Future expansion of distribution capabilities in the western United States is anticipated due to our growing retail store network. In addition, we utilize a portion of the Toronto Urban Outfitters store as a wholesale distribution facility in Canada, and have a distribution center in Essex, England to service our current and near-term needs for stores in the United Kingdom and Ireland.

Management Information Systems. Very early in our growth, we recognized the need for high-quality information in order to manage merchandise planning/buying, inventory management and control functions. We invested in a retail software package that we believe meets our processing and reporting requirements and will continue to do so into the foreseeable future. We utilize point-of-sale register systems connected by a frame relay network to our home offices. These systems provide for register efficiencies, timely customer checkout and instant back office access to register information, as well as for nightly polling of sales, inventory data and price changes. Our direct-to-consumer operations, which include the Anthropologie and Urban Outfitters catalogs and two retail web sites, maintain separate software systems that manage the merchandise and customer information for the in-house call center order processing and fulfillment functions. To manage its needs, Free People uses a separate software system for customer service, order entry and allocations, production planning and inventory management. We have contracted with a nationally recognized company to provide disaster-recovery services with respect to our key systems. During fiscal 2004, we began to initiate new plans to enhance our existing systems and achieve greater efficiency within the transactional and analytical processes of our business. We expect these enhancements to improve the following areas: merchandise planning, assortment planning, allocation and replenishment; product sourcing calendar compression; store construction project management; and business analysis. We believe several of these initiatives will be completed, with the related application planned to be in service, during fiscal 2005.

Competition

The specialty retail, direct-to-consumer and the wholesale apparel businesses are each highly competitive. Our retail stores compete on the basis of, among other things, the location of our stores, the breadth, quality, style, and availability of merchandise, the level of customer service offered and merchandise price. Although we feel the eclectic mix of products offered in our retail stores helps differentiate us, it also means that our Urban Outfitters, Anthropologie and Free People stores compete against a wide variety of smaller, independent specialty stores, as well as department stores and national specialty chains. Many of our competitors have substantially greater name recognition as well as financial, marketing and other resources. Our Anthropologie stores also face competition from small boutiques that offer an individualized shopping experience similar to the one we provide to our target customers. In addition, some of our suppliers offer products directly to consumers.

Along with certain retail segment factors noted above, other key competitive factors for our direct-to-consumer operations include the success or effectiveness of customer mailing lists, response rates, catalog presentation, merchandise delivery and web site design and availability. Our direct-to-consumer operations compete against numerous catalogs and web sites, which may have greater circulation and web traffic than we have.

Our Free People wholesale business competes with numerous wholesale companies based on the quality, fashion and price of our wholesale product offerings. Many of our wholesale business competitors' products have wider distribution than ours. In addition, certain of our wholesale competitors have greater name recognition and financial and other resources than we do.

Trademarks and Service Marks

We are the registered owner in the United States of certain service marks and trademarks, including "Urban Outfitters," "Anthropologie," "Urban Renewal," "Free People," "Co-Operative," "UO & Design," "Ecote," "Slant," "Fink," "Lucky Penny," "Nap Time," "365 Days," "Stapleford," “Character Hero,” “Idra” and “Urbn.com.” Each mark is renewable indefinitely, contingent upon continued use at the time of renewal. In addition, we currently have pending registration applications with the U.S. Patent and Trademark Office covering certain other marks. We also own marks that have been registered in foreign countries, and have applications for marks pending in additional foreign countries as well.

We regard our marks as important to our business due to their name recognition with our customers. In order to more effectively protect them from infringement and to defend against claims of infringement, we established a separate subsidiary whose primary purpose is to maintain and manage existing and future marks, thereby increasing their value to our operating companies. We are not aware of any claims of infringement or challenges to our right to use any of our marks in the United States.

Employees

As of January 31, 2004, we employed approximately 4,600 people and approximately 48% of them are full-time employees. The number of part-time employees fluctuates depending on seasonal needs. Of our total employees, 2% work at Free People wholesale and the remaining 98% work in our retail segment. None of our employees are covered by a collective bargaining agreement, and we believe that our relations with our employees are excellent.

Financial Information about Operations

We aggregate our operations into two reportable segments, the retail segment and the wholesale segment. See Note 11: Segment Reporting in the notes to the Company’s consolidated financial statements for additional information.

Seasonality

Our business is subject to seasonal fluctuations. See Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations—Seasonality and Quarterly Results for additional information.

Item 2. Properties

Our United States based home offices are located in Philadelphia, Pennsylvania and occupy approximately 36,000 square feet at 1809 Walnut Street, immediately adjacent to our Anthropologie store at 1801 Walnut Street, and approximately 22,000 square feet at 235 South 17th Street. Our direct-to-consumer offices and order processing call center are also located in Philadelphia and occupy approximately 5,600 square feet at 1700 Sansom Street. We also operate additional direct-to-consumer offices at 1701 Walnut Street in Philadelphia which occupy approximately 3,900 square feet. Our home office in the United Kingdom is located in London and occupies approximately 3,200 square feet of space at 24 Great Titchfield Street. Our home offices and call center facilities are leased properties with varying lease term expirations through 2011. We own a 191,000 square foot distribution center in Lancaster County, Pennsylvania. We also utilize a distribution facility in Reno, Nevada operated by a third-party. For more information on our distribution center properties, see Item 1: Business—Company Operations—Distribution. We believe that our facilities are well maintained and in good operating condition. However, we plan to locate and utilize additional space over the next several years to accommodate our growth demands. We are actively seeking alternative expanded office space in order to consolidate our multiple Philadelphia based offices into one location that would also support our growth needs for at least the next five to ten years. We expect to identify a suitable property for this consolidation during fiscal 2005. In addition, we are seeking to expand the capacity of our Lancaster County distribution center. Such expansion should be operational in fiscal 2006.

All of our Urban Outfitters, Anthropologie and Free People stores are leased and are well maintained and in good operating condition. Our retail stores are typically leased for a term of ten years with renewal options for an additional five to ten years. Total estimated selling square feet under lease at January 31, 2004, including stores not yet opened, by Urban Outfitters, Anthropologie and Free People was approximately 673,000, 478,000 and 1,800, respectively. The average store selling square feet is approximately 10,000 for Urban Outfitters, approximately 8,000 for Anthropologie and 1,800 for Free People. Selling square feet can sometimes change due to floor moves, use of staircases, cash register configuration and other factors. The following table shows the location of each of our existing retail stores, listed generally in the order that they were opened:

Urban Outfitters Stores

LOCATION	LOCATION	LOCATION	LOCATION
North America			
Philadelphia, PA 110 South 36th Street	Pasadena, CA 139 W. Colorado Blvd.	Lawrence, KS 1013 Massachusetts Street	Orlando, FL 4200 Conroy Road
Cambridge, MA 11 J.F. Kennedy Street	Chicago, IL 935 N. Rush Street	East Lansing, MI 119 E. Grand River Ave.	Irvine, CA 81 Fortune Drive
Philadelphia, PA 1627 Walnut Street	Portland, OR 2320 N.W. Westover Road	Miami, FL 5701 SW 72nd St., #146	Houston, TX 5137 W. Alabama St., #7000
New York, NY 628 Broadway	Austin, TX 2406 Guadalupe Street	Seattle, WA 1507 5th Avenue	Burbank, CA 330 N. San Fernando Blvd.
Washington, DC 3111 M Street, N.W.	Tempe, AZ 545 South Mill Ave.	Tucson, AZ 901 E. University Blvd.	Las Vegas, NV 3930 Las Vegas Blvd.
New York, NY 374 Avenue of the Americas	Houston, TX 2501 University Blvd.	Santa Barbara, CA 624 State Street	Garden City, NY Roosevelt Field Mall #1107A
Madison, WI 604 State Street	Montreal, PQ 1246 Ste. Catherine Street, W.	New York, NY 72nd & Broadway	Denver, CO 3000 E. 1st Ave., Cherry Creek
Ann Arbor, MI 231 S. State Street	Toronto, ON 235 Yonge Street	Evanston, IL 921 Church Street	Santa Cruz, CA 1401 Pacific Avenue
Boston, MA 361 Newbury Street	Miami Beach, FL 653 Collins Avenue	Providence, RI 285 Thayer Street	Miami, FL 19575 Biscayne Blvd., #1655
Minneapolis, MN 3006 Hennepin Ave., S.	Boulder, CO 934 Pearl Street	Dallas, TX 5331 E. Mockingbird Lane	
Seattle, WA 401 Broadway, East	Bloomington, IN 530 E. Kirkwood Avenue	New Haven, CT 43 Broadway	
Berkeley, CA 2590 Bancroft Way	San Diego, CA 665 Fifth Avenue	Cincinnati, OH 2510 Ohio Avenue	*UK and Ireland*
Santa Monica, CA 1440 Third Street Promenade	Columbus, OH 1782 N. High Street	New York, NY 526 Avenue of the Americas	London, England 36-38 Kensington High Street
San Francisco, CA 80 Powell Street	New York, NY 162 2nd Avenue	Tampa, FL 1600 E. 8th Avenue, Suite A-121	Dublin, Ireland 4 Cecilia St. & 7th Fownes St.
Costa Mesa, CA 2930 Bristol Street	Los Angeles, CA 7650 Melrose Avenue	King of Prussia, PA 580 Mall Boulevard, #1013	Glasgow, Scotland 157 Buchanan Street
Chicago, IL 2352 N. Clark Street	Burlington, VT 81 Church Street	Atlanta, GA 3393 Peachtree Road, NE	London, England 42-56 Earlham St., 7 Dials Warehouse

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Anthropologie Stores

LOCATION	LOCATION	LOCATION	LOCATION
Wayne, PA 201 W. Lancaster Ave.	Boston, MA 799 Boylston Street	Minneapolis, MN 4999 France Avenue South	Coral Gables, FL 330 San Lorenzo Avenue
Rockville, MD 11500 Rockville Pike	Chestnut Hill, MA 300 Boylston Street	Houston, TX 4066 Westheimer Road	Edgewater, NJ 43 The Promenade
Westport, CT 1365 Post Road, East	New York, NY 85 Fifth Avenue	Kansas City, MO 531 Nichols Road	Mt. Lebanon, PA 1500 Washington Rd., S. 2201
Greenvale, NY 9 Northern Blvd.	Atlanta, GA 3393 Peachtree Road, N.E.	Columbus, OH 4235 The Strand	Denver, CO 3000 E. 1st Ave., #1134
New York, NY (SoHo) 375 West Broadway	Philadelphia, PA 1801 Walnut Street	Salt Lake City, UT 116 South Rio Grande Street	Richmond, VA 9200 Stony Point Pkwy. #139
Santa Monica, CA 1402 Third Street Promenade	Seattle, WA 1509 Fifth Avenue	Woodcliff Lake, NJ 379 Chestnut Ridge Road	Maple Grove, MN 12413 Elm Creek, Blvd., N.
Newport Beach, CA 823 Newport Center Drive	Tampa, FL 705 S. Dakota Avenue	Los Angeles, CA 6301 W. 3rd Street, Suite J	Pasadena, CA 340 S. Lake Avenue
Chicago, IL 1120 N. State Street	Greenwich, CT 480 W. Putnam Avenue	White Plains, NY 125 Westchester Avenue, #3575	Princeton, NJ 3535 US 1, Market Fair #250
Highland Park, IL 1780 Green Bay Road	San Francisco, CA 880 Market Street	Palo Alto, CA 999 Alma Street	Berkeley, CA 750 Hearst Avenue
Beverly Hills, CA 320 N. Beverly Drive	Scottsdale, AZ 15210 N. Scottsdale Road	San Jose, CA 356 Santana Row	Palm Beach Gardens, FL 3101 PGA Blvd., P-209
Seattle, WA 2520 N.E. University Village, #120	Cincinnati, OH 2643 Edmonson Road	Geneva, IL 122 Commons Drive	Dallas, TX 1030 NorthPark Ctr., C-1-504
Santa Barbara, CA 901 State Street	West Palm Beach, FL 700 South Rosemary Avenue	McLean, VA 1701-M Galleria at Tysons II	Dallas, TX 100 Highland Park Village, #105
Birmingham, MI 214 West Maple Road	Miami Beach, FL 1108 Lincoln Road	Orlando, FL 4200 Conroy Road	Woodmere, OH 28829 Chagrin Blvd., Eton Collection

Free People Store

LOCATION
Paramus, NJ 2132 Garden State Plaza

Free People operates wholesale sales and showroom facilities in New York City and Los Angeles, which are leased through 2004 and 2007, respectively.

Item 3. Legal Proceedings

On March 26, 2004, an employee filed an employment related suit seeking class action status, unspecified monetary damages and equitable relief against Anthropologie, Inc. in the Superior Court of California for Orange County. The complaint alleges that, under California law, the plaintiff and certain other employees were misclassified as employees exempt from overtime and seeks recovery of unpaid wages, penalties and damages. The Company believes the claim is frivolous, without merit and intends to defend it vigorously.

The Company is party to various other legal proceedings arising from normal business activities. Management believes that the ultimate resolution of these matters will not have a material adverse effect on the Company's financial position or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 2004, through the solicitation of proxies or otherwise.

PART II

Item 5. Market for Registrant's Common Equity and Related Shareholder Matters

Our common shares are traded on the NASDAQ National Market ("NASDAQ") under the symbol "URBN." The following table sets forth, for the periods indicated below, the reported high and low sale prices for our common shares as reported on the NASDAQ National Market.

Market Information

	High (1)	Low (1)
Fiscal 2004		
Quarter ended April 30, 2003	$ 15.25	$ 8.38
Quarter ended July 31, 2003	$ 20.43	$ 14.45
Quarter ended October 31, 2003	$ 34.16	$ 19.78
Quarter ended January 31, 2004	$ 42.10	$ 32.57
Fiscal 2003		
Quarter ended April 30, 2002	$ 16.18	$ 10.48
Quarter ended July 31, 2002	$ 18.62	$ 10.75
Quarter ended October 31, 2002	$ 15.00	$ 8.86
Quarter ended January 31, 2003	$ 14.60	$ 9.90

(1) The prices for fiscal 2003 and the quarters ended April 30 and July 31, 2003 have been adjusted to reflect the two-for-one split of our common shares, which was effective September 19, 2003.

Holders

On March 23, 2004, the Company had 8,842 beneficial holders of its common shares.

Dividends

The Company's current line of credit facility prohibits the payment of cash dividends on its common shares. The Company has not paid any cash dividends since its initial public offering and does not anticipate paying any cash dividends on its common shares in the foreseeable future.

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Item 6. Selected Financial Data

The following table sets forth selected consolidated income statement and balance sheet data for the periods indicated. The selected consolidated income statement data for the fiscal year and balance sheet data at the fiscal year end for each of the five fiscal years presented below is derived from the consolidated financial statements of the Company. The data presented below should be read in conjunction with Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations, the consolidated financial statements of the Company, and the related notes thereto, which appear elsewhere in this report.

	Fiscal Year Ended January 31,				
	2004	2003	2002	2001	2000
	(in thousands, except share amounts and per share data)				
Income Statement Data:					
Net sales	$ 548,361	$ 422,754	$ 348,958	$ 295,333	$ 278,113
Gross profit	213,473	150,791	113,647	95,331	104,654
Income from operations	80,706	45,399	25,498	17,878	37,565
Net income	48,376	27,413	15,007	10,495	18,680
Net income per common share—basic	$ 1.23	$ 0.73	$ 0.44	$ 0.30	$ 0.53
Weighted average common shares outstanding—basic	39,267,463	37,776,456	34,537,230	34,514,372	35,063,942
Net income per common share—diluted	$ 1.20	$ 0.71	$ 0.43	$ 0.30	$ 0.52
Weighted average common shares outstanding—diluted	40,415,569	38,776,904	34,876,914	34,549,660	35,688,712
Balance Sheet Data:					
Working capital	$ 118,073	$ 101,512	$ 41,319	$ 31,655	$ 38,006
Total assets	359,595	279,177	195,102	168,716	153,501
Total liabilities	69,465	54,792	49,214	39,104	32,585
Capital lease obligations	$ 271	$ 471	$ 609	$ —	$ —
Total shareholders' equity	290,130	224,385	145,888	129,612	120,916

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

This Securities and Exchange Commission filing is being made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Certain matters contained in this filing may constitute forward-looking statements. When used in this Form 10-K, the words "project," "believe," "anticipate," "expect" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Any one, or all, of the following factors could cause actual financial results to differ materially from those financial results mentioned in the forward-looking statements: the difficulty in predicting and responding to shifts in fashion trends, changes in the level of competitive pricing and promotional activity and other industry factors, overall economic and market conditions and the resultant impact on consumer spending patterns, any effects of terrorist acts or war, availability of suitable retail space for expansion, timing of store openings, seasonal fluctuations in gross sales, the departure of one or more key senior managers, import risks, including potential disruptions and changes in duties, tariffs and quotas and other risks identified in our filings with the Securities and Exchange Commission. We disclaim any intent or obligation to update forward-looking statements even if experience or future changes make it clear that actual results may differ materially from any projected results expressed or implied therein.

Overview

We operate two business segments, a lifestyle merchandising retailing segment and a wholesale apparel business. Our retailing segment consists of our Urban Outfitters, Anthropologie and Free People stores. In addition, Urban Outfitters and Anthropologie offer merchandise through our direct-to-consumer operations, which consist of a catalog and web site for each of these brands. Our wholesale segment consists of our Free People wholesale division.

Our fiscal year ends on January 31. All references in this discussion to our fiscal years refer to the fiscal years ended on January 31 in those years. For example, our fiscal 2004 ended on January 31, 2004. The comparable store net sales data presented in this discussion is calculated based on the net sales of all stores open at least twelve full months at the beginning of the period for which such data is presented.

Retail Stores

As of January 31, 2004, we operated 61 Urban Outfitters stores ("Urban Retail") of which 55 were located in the United States, 2 in Canada, 2 in the United Kingdom, 1 in Scotland and 1 in Ireland. During fiscal 2004 we opened eight new Urban Retail stores, all of which are located within the United States except for one store, which we opened in London. Urban Retail targets young adults aged 18 to 30 through a unique merchandise mix and compelling store environment. Our product offering includes women's and men's fashion apparel, footwear and accessories, as well as an eclectic mix of apartment wares and gifts. We plan to open many additional stores over the next several years, some of which may be outside the United States. Urban Retail's North American and European store sales, accounted for approximately 46% and 3% of consolidated net sales, respectively, for fiscal 2004.

We operated 52 Anthropologie stores as of January 31, 2004, all of which were located in the United States. During fiscal 2004 we opened 13 new Anthropologie stores. Anthropologie tailors its merchandise to sophisticated and contemporary women aged 30 to 45. Our product assortment includes women's casual apparel and accessories, home furnishings and a diverse array of gifts and decorative items. We plan to open many additional stores over the next several years. Anthropologie's store sales accounted for approximately 39% of consolidated net sales for fiscal 2004.

Our Free People retail store is located in Paramus, New Jersey and primarily offers Free People branded women's merchandise targeted to young contemporary women. We plan to open a limited number of additional stores over the next several fiscal years, including one to two stores in fiscal 2005. Free People's sales accounted for less than 1% of consolidated net sales for fiscal 2004.

We plan to open approximately 24 to 27 stores during fiscal 2005, including one to two new Free People stores. The remaining new stores will be divided approximately evenly between Urban Retail and Anthropologie. Our goal thereafter is to increase net sales 20 to 25% per year through a combination of opening new stores, growing comparable store sales and continuing the growth of our direct-to-consumer and wholesale operations.

Direct-to-consumer

In March 1998, Anthropologie introduced a direct-to-consumer catalog offering selected merchandise most of which is also available in our Anthropologie stores. During fiscal 2004, Anthropologie catalog circulation was over 13.3 million. Furthermore, we believe that this catalog has been instrumental in helping to build the Anthropologie brand identity with our target customers. We plan to expand circulation to more than 15.0 million catalogs during fiscal 2005 and continue to modestly increase the level of catalog circulation over the next few years.

Anthropologie operates an Internet web site that accepts orders directly from consumers. The web site, *www.anthropologie.com*, debuted in December 1998. The web site captures the spirit of the store by offering a similar array of apparel, accessories, household and gift merchandise. As with our catalog, we believe that the web site increases Anthropologie's reputation and brand recognition with its target customers and helps support the strength of Anthropologie's store operations.

In March 2003, Urban Outfitters introduced a direct-to-consumer catalog offering selected merchandise much of which is also available in our Urban Outfitters stores. The circulation of the catalog exceeded three million during fiscal 2004. We believe this catalog has expanded our distribution channels and increased brand awareness. Based on an overwhelmingly positive customer response to the catalog, we plan to expand circulation to approximately eight million catalogs in fiscal 2005.

Urban Outfitters also operates an Internet web site that accepts orders directly from consumers. The web site, *www.urbn.com*, was launched in May 2000. The web site captures the spirit of the store by offering a similar selection of merchandise as found in the store. As with the Urban Outfitters catalog, we believe the web site increases the reputation and recognition of the brand with its target customers as well as helps to support the strength of Urban Outfitters store operations.

We plan to test a new Free People web site during the second half of fiscal 2005. We believe this site will further expose consumers to our Free People product assortment.

Direct-to-consumer sales were approximately 9% of consolidated net sales for fiscal 2004.

Wholesale

The Free People wholesale division designs, develops and markets young women's contemporary casual apparel. Our range of tops, bottoms, sweaters and dresses are sold worldwide through approximately 1,100 better department and specialty stores, including Bloomingdale's, Marshall Fields, Macy*s West, Urban Outfitters and our own Free People store. Free People wholesale sales accounted for approximately 3% of consolidated net sales for fiscal 2004.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. These generally accepted accounting principles require 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.

Our significant accounting policies are described in Note 2 to our consolidated financial statements. We believe that the following discussion addresses our critical accounting policies, which are those that are most important to the portrayal of our financial condition and results of operations and require management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. If actual results were to differ significantly from estimates made, the reported results could be materially affected. However, we are not currently aware of any reasonably likely events or circumstances that would cause our actual results to be materially different from our estimates.

Our senior management has reviewed the critical accounting policies and estimates with our audit committee.

Revenue Recognition

Revenue is recognized at the point-of-sale for retail store sales or when merchandise is shipped to customers for wholesale and direct-to-consumer sales, net of estimated customer returns. Payment for merchandise at our stores, and through our direct-to-consumer business is by cash, check, credit card, debit card or gift card, therefore, our need to collect outstanding accounts receivable is negligible and mainly results from returned checks or unauthorized credit card charges. Deposits for custom orders are recorded as a liability and recognized as a sale upon delivery of the merchandise to the customer. These custom orders, typically for upholstered furniture, have not been material. Gift card sales to customers are initially recorded as liabilities and recognized as sales upon redemption for merchandise.

Inventories

We value our inventories, which consist primarily of general consumer merchandise held for sale, at the lower of cost or market. Cost is determined on the first-in, first-out method and includes the cost of merchandise and freight. A periodic review of inventory quantities on hand is performed in order to determine if inventory is properly stated at the lower of cost or market. Factors related to current inventories such as future consumer demand and fashion trends, current aging, current and anticipated retail markdowns or wholesale discounts, and class or type of inventory are analyzed to determine estimated net realizable values. Criteria utilized by the Company to quantify aging trends includes factors such as average selling cycle and seasonality of merchandise, the historical rate at which merchandise has sold below cost during the average selling cycle, and merchandise currently priced below original cost. A provision is recorded to reduce the cost of inventories to the estimated net realizable values, if required. Inventories as of January 31, 2004 and January 31, 2003 totaled $63.2 million and $50.0 million, respectively, representing 17.6% and 17.9% of total assets. Any significant unanticipated changes in the factors noted above could have a significant impact on the value of our inventories and our reported operating results.

Long-Lived Assets

Our long-lived assets consist principally of store leasehold improvements as well as furniture and fixtures and are included in the “Property and Equipment, net” line item in our consolidated balance sheets included in this report. Store leasehold improvements are recorded at cost and are amortized using the straight-line method over the lesser of the applicable store lease term or the estimated useful life of the leasehold improvements. The typical initial lease term for our stores is ten years. Furniture and fixtures are recorded at cost and are amortized using the straight-line method over five years. Net property and equipment as of January 31, 2004 and January 31, 2003 totaled $121.9 million and $108.8 million, respectively, representing 33.9% and 39.0% of total assets, respectively.

In assessing potential impairment of these assets, we periodically evaluate historical and forecasted operating results and cash flows on a store-by-store basis. Newly opened stores may take time to generate positive operating and cash flow results. Factors such as store type (e.g., mall versus free-standing), store location (e.g., urban area versus college campus or suburb), current marketplace awareness of the Urban Outfitters, Anthropologie and Free People brands, local customer demographic data and current fashion trends are all considered in determining the time frame required for a store to achieve positive financial results, which, in general, is assumed to be within three years from the date a store location has opened. If economic conditions are substantially different from our expectations, the carrying value of certain of our long-lived assets may become impaired. For fiscal 2004, 2003 and 2002, we had no write-downs of long-lived assets.

Accounting for Income Taxes

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the tax jurisdictions in which we operate. This process involves estimating our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes, such as depreciation of property and equipment and valuation of inventories. We determine our provision for income taxes based on tax legislation currently in effect. Legislation changes currently proposed by certain states in which we operate, if enacted, could increase the transactions or activities subject to tax. Any such legislation that becomes law could result in an increase in our income tax expense, which could have a material adverse effect on our results of operations. These temporary differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income. Actual results could differ from this assessment if adequate taxable income is not generated in future periods. Deferred tax assets as of January 31, 2004 and January 31, 2003 totaled $13.8 million and $12.7 million, respectively, representing 3.8% and 4.5% of total assets, respectively. To the extent we believe that recovery is at risk, we must establish valuation allowances. To the extent we establish valuation allowances or increase the allowances in a period, we must include an expense within the tax provision in the consolidated statement of operations.

We have valuation allowances of $2.1 million as of January 31, 2004 due to uncertainties related to our ability to utilize the net operating loss carryforwards of certain foreign subsidiaries and capital loss carryforwards. In the future, if enough evidence of our ability to generate sufficient future taxable income in these foreign jurisdictions or to realize off-setting capital gains becomes apparent, we would be required to reduce our valuation allowances, resulting in a reduction in income tax expense in the consolidated statement of income. On a quarterly basis, management evaluates and assesses the realizability of deferred tax assets and adjusts the valuation allowances if required.

Accounting for Contingencies

From time to time, we are named as a defendant in legal actions arising from our normal business activities. We account for contingencies such as these in accordance with Statement of Financial Accounting Standards ("SFAS") No. 5, "Accounting for Contingencies." SFAS No. 5 requires us to record an estimated loss contingency when information available prior to issuance of our financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Accounting for contingencies arising from contractual or legal proceedings requires management to use its best judgment when estimating an accrual related to such contingencies. As additional information becomes known, our accrual for a loss contingency could fluctuate, thereby creating variability in our results of operations from period to period. Likewise, an actual loss arising from a loss contingency which significantly exceeds the amount accrued for in our financial statements could have a material adverse impact on our operating results for the period in which such actual loss becomes known.

Results of Operations

The following tables set forth, for the periods indicated, the percentage of our net sales represented by certain income statement data and the change in certain income statement data from period to period.

	Fiscal Year Ended January 31,		
	2004	2003	2002
As a Percentage of Net Sales:			
Net sales	100.0%	100.0%	100.0%
Cost of sales, including certain buying, distribution and occupancy costs	61.1	64.3	67.4
Gross profit	38.9	35.7	32.6
Selling, general and administrative expenses	24.2	25.0	25.3
Income from operations	14.7	10.7	7.3
Other income (expense), net	0.1	0.2	(0.1)
Income before income taxes	14.8	10.9	7.2
Income tax expense	6.0	4.4	2.9
Net income	8.8%	6.5%	4.3%
Period over Period Change:			
Net sales	29.7%	21.1%	18.2%
Gross profit	41.6%	32.7%	19.2%
Income from operations	77.8%	78.0%	42.6%
Net income	76.5%	82.7%	43.0%

Fiscal 2004 Compared to Fiscal 2003

Net sales in fiscal 2004 increased by 29.7% to $548.4 million from $422.8 million in the prior fiscal year. The $125.6 million increase was primarily attributable to a $126.1 million, or 31.2% increase, in retail segment sales, offset in part by a slight decline in Free People wholesale sales of $0.5 million, excluding sales to Urban Retail, Anthropologie and Free People retail operations. The growth in our retail segment during fiscal 2004 was driven by a $61.6 million increase in noncomparable and new store net sales, a $45.1 million or 12.9% increase in comparable store sales and an increase in direct-to-consumer sales of $19.4 million or 61.1%. The increase in comparable store net sales was comprised of a 13.1% increase for Urban Retail and a 12.6% increase for Anthropologie.

The increase in net sales attributable to noncomparable and new stores was the result of opening 21 new stores in fiscal 2004 and 13 new stores in fiscal 2003 that are considered noncomparable during fiscal 2004. Comparable store net sales increases were principally the result of an increase in the number of transactions and average sales prices resulting from higher initial markons and a lower proportion of markdowns. Comparable store sales continue to significantly exceed our plan, thus far during fiscal 2005. Direct-to-consumer net sales increased over the prior year primarily due to additional customer response related to the initial circulation of three million new Urban Outfitters catalogs and increased traffic to the Urban Outfitters web site. Anthropologie also contributed to the direct-to-consumer net sales growth by increasing circulation of the Anthropologie catalog to approximately 13.3 million catalogs, including a new "Winter Essentials" catalog, increased traffic to the Anthropologie web site, and an improvement in the average order value.

Gross profit margins increased to 38.9% of net sales in fiscal 2004 compared to 35.7% of net sales in fiscal 2003. Improvements to initial margins due to better sourcing and a reduction in markdown requirements accounted for the majority of the increase. Total inventories at January 31, 2004 increased by 29.5%, including an increase in comparable store inventories of 0.3%, primarily related to the acquisition of inventory to stock new retail stores. We anticipate making similar investments in connection with new store openings in fiscal 2005.

Selling, general and administrative expenses decreased to 24.2% of net sales for fiscal 2004 versus 25.0% of net sales for fiscal 2003. This improvement was primarily attributable to the leveraging of store-level expenses as a result of the increases in the comparable store sales and leveraging of fixed expenses.

Accordingly, our operating margins increased to 14.7% of net sales for fiscal 2004 compared to 10.7% of net sales for fiscal 2003.

Our effective tax rate of 40.5% remained the same for fiscal 2004 compared to fiscal 2003. See Note 7 to our consolidated financial statements, included elsewhere in this report, for a reconciliation of the statutory U.S. federal income tax rate to our effective tax rate.

Fiscal 2003 Compared to Fiscal 2002

Net sales in fiscal 2003 increased by 21.1% to $422.8 million from $349.0 million in fiscal 2002. The $73.8 million increase was primarily attributable to a $73.9 million, or 22.4% increase, in retail segment sales, offset in part by a slight decline in Free People wholesale sales of $0.1 million, excluding sales to Urban Retail, Anthropologie and Free People retail operations. Noncomparable and new store net sales increases of $41.3 million, comparable store net sales increases of $25.7 million or 9.1%, and direct-to-consumer net sales increases of $6.9 million or 27.9% accounted for the retail segment increase. The increase in comparable store net sales was comprised of a 7.1% increase for Urban Retail and a 12.3% increase for Anthropologie.

The increase in net sales attributable to noncomparable and new stores was the result of opening 13 new stores in fiscal 2003 and 12 new stores in fiscal 2002 that are considered noncomparable in fiscal 2003. Comparable store net sales increases were principally the result of an increase in the number of transactions and average sales price resulting from higher initial markons and a lower proportion of markdowns, which more than offset a decrease in the number of items purchased per transaction. Direct-to-consumer net sales increased over the prior year primarily due to an increase in the average catalog and web order value and additional customer response related to an increase in catalog circulation for Anthropologie**,** including a new "Summer Essentials" catalog. The Urban Retail web site also contributed to the direct-to-consumer net sales increase as a result of increased site traffic and an improvement in average order value.

Gross profit margins increased to 35.7% of net sales in fiscal 2003 compared to 32.6% of net sales in fiscal 2002. Improvements to initial margins due to better sourcing and an increased proportion of private label merchandise, together with a reduction in markdown requirements, accounted for the majority of the increase. Total inventories at January 31, 2003 increased by 18.8% including an increase in comparable store inventories of 5.7%, primarily related to an increase in the number of units per store anticipated to support sales trends.

Selling, general and administrative expenses decreased to 25.0% of net sales for fiscal 2003 versus 25.3% of net sales for fiscal 2002. This improvement was primarily attributable to the leveraging of store-level expenses as a result of the increases in the comparable store sales and leveraging of fixed expenses and increased efficiencies in the direct-to-consumer operations.

Accordingly, our operating margins increased to 10.7% of net sales for fiscal 2003 compared to 7.3% of net sales for fiscal 2002.

Our effective tax rate of 40.5% remained the same for fiscal 2003 compared to fiscal 2002. See Note 7 to our consolidated financial statements, included elsewhere in this report, for a reconciliation of the statutory U.S. federal income tax rate to our effective tax rate.

Liquidity and Capital Resources

Cash, cash equivalents and marketable securities were $139.5 million as of January 31, 2004 as compared to $95.1 million as of January 31, 2003 and $28.3 million as of January 31, 2002. Increases in cash, cash equivalents and marketable securities since January 31, 2003 were primarily a result of cash provided by operating activities.

In April 2002, we completed a public offering of 3.2 million shares of our common stock at a price of $14.00 per share. We received net proceeds of approximately $41.5 million from the offering. In conjunction with the offering, certain selling shareholders exercised options, which resulted in additional cash proceeds of approximately $1.5 million.

During the last three years, we have mainly satisfied our cash requirements through our cash flow from operations and the proceeds generated from the public offering of our common shares. Our primary uses of cash have been to open new stores and purchase inventories. We have also continued to invest in our direct-to-consumer efforts and in our United Kingdom and Ireland subsidiaries. We expect to increase the level of capital expenditures in support of our goal of expanding our store base by approximately 20% per annum. Accumulated cash and future cash from operations, as well as available credit under our line of credit facility, assuming renewal or replacement, are expected to fund such expansion-related uses of cash at least through fiscal 2007.

On September 9, 2003, we renewed and amended our line of credit facility (the “Line”). The Line is a one-year $30.0 million committed line of credit to fund working capital requirements and letters of credit. The Line contains a sublimit for borrowings by our European subsidiaries that are guaranteed by us. Cash advances bear interest at LIBOR plus 1.25% to 1.75% based on our achievement of prescribed adjusted debt ratios. The Line subjects us to various restrictive covenants, including maintenance of certain financial ratios and covenants such as fixed charge coverage, adjusted debt and minimum tangible net worth, limits capital expenditures and share repurchase and prohibits the payment of cash dividends on our common shares. As of January 31, 2004, we were in compliance with all covenants under the Line. As of and during the twelve months ended January 31, 2004, there were no borrowings under the Line. Outstanding letters of credit and stand-by letters of credit under the Line totaled approximately $14.6 million as of January 31, 2004. The available borrowing under the Line was $15.4 million as of January 31, 2004.

Based on fiscal 2004 operating trends and the operating model that management has planned for fiscal 2005, we do not believe it will be necessary to borrow short-term or long-term funds during fiscal 2005.

We have entered into agreements that create contractual obligations and commercial commitments. These obligations and commitments will have an impact on future liquidity and the availability of capital resources. Accumulated cash and future cash from operations, as well as available credit under our line of credit facility, assuming renewal or replacement, are expected to fund such obligations and commitments. The tables noted below present a summary of these obligations and commitments:

Contractual Obligations (1)

		Payments Due by Period (in thousands)			
Description	Total Obligations	Less Than One Year	One to Three Years	Four to Five Years	More than Five Years
Operating leases (2)	$ 407,801	$ 46,732	$ 94,169	$ 86,199	$ 180,701
Capital lease (3)	271	211	60	—	—
Total contractual obligations	$ 408,072	$ 46,943	$ 94,229	$ 86,199	$ 180,701

(1) Excludes purchase orders for merchandise and supplies in the normal course of business, which are liquidated within 12 months.

(2) Includes store operating leases, which generally provide for payment of direct operating costs in addition to rent. The obligation amounts shown above only reflect our future minimum lease payments as the direct operating costs fluctuate over the term of the lease. Additionally, there are seven locations where a percentage of sales are paid in lieu of a fixed minimum rent that are not reflected. Total rent expense related to these seven locations was approximately $942,000 for fiscal 2004. The Urban Outfitters at Covent Gardens (London, UK) has rent defined for only five years, although the lease is for a period of 15 years, with minimum rent subject to review every five years. Included in the table above is an estimate of our rent obligation on this property for the remaining 10 years of the lease based upon our rent obligation for the first 5 years. Amounts noted above include commitments for 19 executed leases for stores not opened as of January 31, 2004.

(3) As of January 31, 2002, the Company entered into a capital lease for computer equipment with a cost of approximately $609,000, which was recorded in the first quarter of fiscal 2003 upon receipt of the related equipment in accordance with the contract. The lease provides for the payment of interest as well as principal.

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Commercial Commitments

Description	Total Amounts Committed	Amount of Commitment Per Period (in thousands) Less Than One Year	One to Three Years	Four to Five Years	More Than Five Years
Line of credit (1)	$ 14,577	$ 14,577	$—	$—	$—
Standby letters of credit	20	20	—	—	—
Total commercial commitments	$ 14,597	$ 14,597	$—	$—	$—

(1) Consists solely of outstanding letter of credit commitments in connection with inventory purchases.

Off-Balance Sheet Arrangements

As of and for the three years ended January 31, 2004, we were not party to any off-balance sheet arrangements.

Other Matters

Recent Accounting Pronouncements

In May 2003, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity.” It establishes classification and measurement standards for three types of freestanding financial instruments that have characteristics of both liabilities and equity. Instruments within the scope of SFAS No. 150 must be classified as liabilities within our Consolidated Financial Statements and be reported at settlement date value. The provisions of SFAS No. 150 are effective for (i) instruments entered into or modified after May 31, 2003, and (ii) pre-existing instruments as of July 1, 2003. In November 2003, through the issuance of FASB Staff Position 150-3 (“FSP 150-3”), the FASB indefinitely deferred the effective date of certain provisions of SFAS No. 150. The adoption of SFAS No. 150, as modified by FSP 150-3, had no impact on our financial position or results of operations.

In April 2003, the FASB issued SFAS No. 149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities.” SFAS No. 149 clarifies under what circumstances a contract with an initial net investment meets the characteristics of a derivative as discussed in SFAS No. 133. It also specifies when a derivative contains a financing component that requires special reporting in the statement of cash flows. SFAS No. 149 amends certain other existing pronouncements in order to improve consistency in reporting these types of transactions. The new guidance is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. SFAS No. 149 did not have a material effect on our financial position or results of operations.

In January 2003, the FASB issued Interpretation No. 46 (“FIN 46”), “Consolidation of Variable Interest Entities.” FIN 46 addresses consolidation by business enterprises of variable interest entities, which are entities that either (a) do not have equity investors with vesting rights or (b) have equity investors that do not provide sufficient financial resources for the entity to support its activities. The interpretation is effective immediately for variable interest entities created after February 1, 2003. In

December 2003, the FASB published FASB Interpretation No. 46 (revised December 2003), “Consolidation of Variable Interest Entities” (“FIN-46R”). FIN 46R, among other things, defers the effective date of implementation for certain entities. The revised interpretation is effective for the first interim or annual reporting period ending after March 15, 2004, with the exception of structures that are commonly referred to as special-purpose entities, for which the statement is effective for periods ending after December 15, 2003. The Company does not have any interest in any entity that requires disclosure or consolidation as a result of adopting the provisions of FIN 46.

In December 2002, the FASB issued SFAS No. 148, “Accounting for Stock-Based Compensation-Transition and Disclosure.” SFAS No. 148 amends SFAS No. 123, “Accounting for Stock-Based Compensation,” and is effective for fiscal years ending after December 15, 2002. SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. We have adopted the quarterly disclosure requirements of SFAS No. 148; however, we continue to account for our stock-based compensation based upon the guidance of SFAS No. 123, which allows us to measure stock-based compensation using the intrinsic value based method of accounting prescribed by APB Opinion No. 25, “Accounting for Stock Issued to Employees.” We will continue to consider alternative methods as future pronouncements are issued by the FASB.

In November 2002, the FASB issued Interpretation No. (“FIN 45”), “Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.” This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement requirements of FIN 45 are effective prospectively for guarantees issued or modified after December 31, 2002. The Company’s adoption of FIN 45 did not have a material effect on our financial position or results of operations.

Seasonality and Quarterly Results

While we have been profitable in each of our last 56 operating quarters, our operating results are subject to seasonal fluctuations. Our highest sales levels have historically occurred during the five-month period from August 1 to December 31 of each year (the back-to-school and holiday periods). Sales generated during these periods have traditionally had a significant impact on our results of operations. Any decreases in sales for these periods or in the availability of working capital needed in the months preceding these periods could have a material adverse effect on our results of operations.

Our results of operations may also fluctuate from quarter to quarter as a result of the amount and timing of expenses incurred in connection with, and sales contributed by, new stores, store expansions and the integration of new stores into our operations or by the size and timing of catalog mailings and web site traffic for our direct-to-consumer operations. Fluctuations in the bookings and shipments of wholesale merchandise between quarters can also have positive or negative effects on earnings during the quarters.

The following tables, which are unaudited, set forth our net sales, gross profit, net income and net income per common share (basic and diluted) for each quarter during the last two fiscal years and the amount of such net sales and net income, respectively, as a percentage of annual net sales and annual net income.

	Fiscal 2004 Quarter Ended			
	April 30, 2003	July 31, 2003	Oct. 31, 2003	Jan. 31, 2004
	(dollars in thousands, except per share data)			
Net sales	$ 107,028	$ 122,879	$ 142,331	$ 176,123
Gross profit	37,933	45,648	56,811	73,081
Net income	6,393	9,467	14,087	18,429
Net income per common share—basic	0.17	0.24	0.36	0.46
Net income per common share—diluted	0.16	0.24	0.35	0.45
As a Percentage of Fiscal Year:				
Net sales	20%	22%	26%	32%
Net income	13%	20%	29%	38%

	Fiscal 2003 Quarter Ended			
	April 30, 2002	July 31, 2002	Oct. 31, 2002	Jan. 31, 2003
	(dollars in thousands, except per share data)			
Net sales	$ 94,074	$ 101,001	$ 110,106	$ 117,573
Gross profit	32,170	35,757	39,174	43,690
Net income	4,755	6,255	8,026	8,377
Net income per common share—basic	0.14	0.16	0.21	0.22
Net income per common share—diluted	0.13	0.16	0.20	0.21
As a Percentage of Fiscal Year:				
Net sales	22%	24%	26%	28%
Net income	17%	23%	29%	31%

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to the following types of market risks—fluctuations in the purchase price of merchandise, as well as other goods and services; the value of foreign currencies in relation to the U.S. dollar; and changes in interest rates. Due to the Company's inventory turnover rate and its historical ability to pass through the impact of any generalized changes in its cost of goods to its customers through pricing adjustments, commodity and other product risks are not expected to be material. The Company purchases substantially all its merchandise in U.S. dollars, including a portion of the goods for its stores located in Canada and Europe.

The Company's exposure to market risk for changes in interest rates relates to its cash, cash equivalents and marketable securities. As of January 31, 2004, the Company's cash, cash equivalents and marketable securities consisted primarily of funds invested in tax exempt municipal bonds rated AA or better, auction rate instruments rated AA or better and money market accounts, which bear interest at a variable rate. Due to the average maturity and conservative nature of the Company's investment portfolio, we believe a sudden change in interest rates would not have a material effect on the value of our investment portfolio. As the interest rates on a material portion of our cash, cash equivalents and marketable securities are variable, a change in interest rates earned on the cash, cash equivalents and marketable securities would impact interest income along with cash flows, but would not impact the fair market value of the related underlying instruments.

Item 8. Financial Statements and Supplementary Data

The information required by this Item is incorporated by reference from Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations—Seasonality and Quarterly Results of Operations and from pages F-1 through F-24.

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

On June 19, 2002, the Company dismissed Arthur Andersen LLP ("Andersen") as the principal accountant for the Company and its subsidiaries. For neither of the two years preceding its dismissal had the former principal accountant's reports on the Company's financial statements contained an adverse opinion or a disclaimer of opinion, nor had its opinion been qualified or modified as to uncertainty, audit scope or accounting principles. The Company's decision to dismiss its former principal accountant was recommended by the Audit Committee of the Board of Directors of the Company and was approved by the Board of Directors. During the periods in which Andersen was the principal accountant for the Company, there were no disagreements on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to Andersen's satisfaction, would have caused it to make reference to the subject matter of the disagreement in connection with its report on the financial statements. In addition, during Andersen's tenure, there were no reportable events (as defined in Regulation S-K Item 304(a)(1)(v)).

In connection with the Company's Current Report on Form 8-K filed June 21, 2002, the Company provided Arthur Andersen LLP with a copy of the foregoing disclosures.

On July 23, 2002, the Company engaged KPMG LLP to serve as the Company's independent public accountant. The appointment of KPMG LLP was effective immediately. The decision to engage KPMG LLP was recommended by the Audit Committee of the Board of Directors of the Company and was approved by the Board of Directors.

During the fiscal year ended January 31, 2002 and through July 23, 2002, the Company did not consult KPMG LLP with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's consolidated financial statements or any other matters or reportable events as set forth in Items 304(a)(2)(i) or (ii) of Regulation S-K.

In connection with the Company's Current Report on Form 8-K filed July 24, 2002, the Company provided KPMG LLP with a copy of the foregoing disclosures relating to its engagement as the Company's independent public accountant.

Item 9A. Controls and Procedures

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed by the Company under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As of the end of the period covered by this annual report on Form 10-K, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of these disclosure controls and procedures. Based on that evaluation, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective. There have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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PART III

Item 10. Directors and Executive Officers of the Registrant

The following table sets forth the name, age and position of each of our executive officers and directors:

Name	Age	Position
Richard A. Hayne	56	Chairman of the Board of Directors and President
John E. Kyees	56	Chief Financial Officer
Glen A. Bodzy	51	General Counsel and Secretary
Glen T. Senk	47	President, Anthropologie, Inc.
Tedford G. Marlow	52	President, Urban Outfitters Retail Division
Robert Ross	35	Controller
Freeman M. Zausner	56	Chief Administrative Officer
Scott A. Belair (1)(2)(3)	56	Director
Harry S. Cherken, Jr.	54	Director
Joel S. Lawson III (1)(2)(3)	56	Director
Robert H. Strouse (1)(2)	55	Director

(1) Member of the Nominating Committee.
(2) Member of the Audit Committee.
(3) Member of the Compensation Committee.

Mr. Hayne co-founded Urban Outfitters in 1970 and has been Chairman of the Board of Directors and President since our incorporation in 1976.

Mr. Kyees joined Urban Outfitters in November 2003. He is a 30-year veteran in the retail industry with Chief Financial Officer (“CFO”) roles at several retailers. Most recently John was CFO and Chief Administrative Officer for bebe stores, Inc., a 185-store retailer headquartered in San Francisco, from March 2002 through November 2003. Prior to joining bebe, John served as CFO for Skinmarket, a startup teenage cosmetic retailer from March 2000 through March 2002. John was also CFO for HC Holdings from December 1997 through March 2000. HC Holdings filed a bankruptcy petition under Chapter 11 of the U.S. Bankruptcy Code during January 2000. From May 1997 through December 1997, John was CFO for Ashley Stewart and from November 1984 through January 1997 John was CFO for Express, which is a division of The Limited Brands, Inc.

Mr. Bodzy joined Urban Outfitters as its General Counsel in December 1997 and was appointed Secretary in February 1999. Prior to joining the Company, Mr. Bodzy was Vice President, General Counsel and Secretary of Service Merchandise Company, Inc. where he was responsible for legal affairs, the store development program and various other corporate areas.

Mr. Senk has served as President of Anthropologie, Inc. since April 1994. Mr. Senk was named Executive Vice President of Urban Outfitters, Inc. in May 2002, and assumed responsibility for the Company’s Free People division in May 2003. Prior to joining the Company, Mr. Senk was Senior Vice President and General Merchandise Manager of Williams-Sonoma, Inc. and Chief Executive of the Habitat International Merchandise and Marketing Group in London, England. Mr. Senk began his retail career at Bloomingdale’s, where he served in a variety of roles including Managing Director of Bloomingdale’s By Mail.

Mr. Marlow has served as President of the Urban Outfitters Retail Division since joining the Company in July 2001. Prior to joining the Company, for the period from September 2000 to July 2001, Mr. Marlow served as Executive Vice President of Merchandising, Product Development, Production and Marketing at Chicos FAS, Inc. Previously, he was Senior Vice President at Saks Fifth Avenue from November 1998 to September 2000, where he was responsible for all Saks Fifth Avenue private brand product development. From January 1995 to November 1998, Mr. Marlow served as President and Chief Executive Officer of Henri Bendel, a division of The Limited Brands, Inc.

Mr. Ross joined Urban Outfitters in October 1997. He assumed responsibility for the Controller position in early 1999. Prior to joining the Company, Mr. Ross had been the Controller for American Appliance, Inc., a northeast regional appliance retail chain. Previous to his 10-year tenure in the retail industry, Mr. Ross worked in the public accounting sector, audit and advisory services. Mr. Ross obtained his CPA license in 1994.

Mr. Zausner rejoined the Company in February 2003 as a consultant and in July 2003 became its Chief Administrative Officer. Mr. Zausner originally joined the Company in 1980 and became its Director of Inventory Management 1998 and it’s Secretary in 1990, respectively. Mr. Zausner retired from the Company in 1996.

Mr. Belair co-founded Urban Outfitters in 1970 and has been a director since its incorporation in 1976. He has served as Principal of The ZAC Group, a financial advisory firm, during the last fourteen years. Previously, he was a managing director of Drexel Burnham Lambert Incorporated. Mr. Belair is also a director of Hudson City Bancorp, Inc.

Mr. Cherken, a director since 1989, has been a partner in the law firm of Drinker Biddle & Reath LLP in Philadelphia, Pennsylvania since 1984 and served as a Managing Partner of that firm from February 1996 to January 2000.

Mr. Lawson, a director since 1985, has, since November 2001, been an independent consultant. From November 2001 until November 2003, he also served as Executive Director of M&A International Inc., a global organization of merger and acquisition advisory firms. From 1980 until November 2001, Mr. Lawson was Chief Executive Officer of Howard, Lawson & Co., an investment banking and corporate finance firm. Howard, Lawson & Co. became an indirect, wholly owned subsidiary of FleetBoston Financial Corporation in March 2001.

Mr. Strouse, a director since 2002, has, since 1998, been Chief Operating Officer of The AMC Group, L.P., a company that oversees a diversified group of industrial, service and real estate businesses.

Code of Ethics

We have adopted a code of conduct and ethics, applicable to all employees, officers and directors of the Company, that provides an ethical and legal framework for business practices and conduct to which such persons must adhere. Any waivers to the code will be disclosed in a Current Report on Form 8-K. A copy of this code will be available on our website in the near future at *www.urbanoutfittersinc.com* or you may request a copy in writing addressed to: Investor Relations, Urban Outfitters, Inc., 1809 Walnut Street, Philadelphia, PA 19103.

Section 16(a) Beneficial Ownership Reporting Compliance

Information required by this item is incorporated herein by reference from the Company's Proxy Statement for the 2004 Annual Meeting of Shareholders.

Other Information

Other information required by Item 10 relating to the Company's directors is incorporated herein by reference from the Company's Proxy Statement for the 2004 Annual Meeting of Shareholders.

Item 11. Executive Compensation

Information required by this item is incorporated herein by reference from the Company's Proxy Statement for the 2004 Annual Meeting of Shareholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

Information required by this item is incorporated herein by reference from the Company's Proxy Statement for the 2004 Annual Meeting of Shareholders.

Item 13. Certain Relationships and Related Transactions

Information required by this item is incorporated herein by reference from the Company's Proxy Statement for the 2004 Annual Meeting of Shareholders.

Item 14. Principal Accountant Fees and Services

Information required by this item is incorporated herein by reference from the Company's Proxy Statement for the 2004 Annual Meeting of Shareholders.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) The following documents are filed as part of this report:

(1) Financial Statements

Consolidated Financial Statements filed herewith are listed in the accompanying index on page F-1.

(2) Financial Statement Schedule

Schedule II—Valuation and Qualifying Accounts

All other schedules are omitted because they are not applicable or not required, or because the required information is included in the consolidated financial statements or notes thereto.

(3) Exhibits

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation are incorporated by reference to Exhibit 3.1 of the Company's Registration Statement on Form S-1 (File No. 33-69378) filed on September 24, 1993.
3.2	Amended and Restated Bylaws are incorporated by reference to Exhibit 3.2 of the Company's Registration Statement on Form S-1 (File No. 33-69378) filed on September 24, 1993.
10.1	1997 Stock Option Plan is incorporated by reference to Exhibit 10.6 of the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1997.
10.2	Urban Outfitters 401(k) Savings Plan is incorporated by reference to Exhibit 10.7 of the Company's Registration Statement on Form S-8 filed on August 3, 1999.
10.3	2000 Stock Incentive Plan is incorporated by reference to the Company's Definitive Proxy Statement on Schedule 14A filed on April 17, 2000.
10.4	Credit Agreement, dated September 12, 2001, between the Company and First Union National Bank is incorporated by reference to Exhibit 10.9 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2001.
10.5	First Amendment to Credit Agreement and Guarantee Agreement, dated September 11, 2002, between the Company and Wachovia Bank, National Association is incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2002.
10.6	Second Amendment to Credit Agreement, dated November 15, 2002, between the Company and Wachovia Bank, National Association and JPMorgan Chase Bank is incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2002.
10.7	Third Amendment to Credit Agreement, dated September 9, 2003, between the Company and Wachovia Bank, National Association and JP Morgan Chase Bank is incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report in Form 10-Q for the quarterly period ended July 31, 2003.
10.8*	Urban Outfitters 2004 Stock Incentive Plan.

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Exhibit Number	Description
14.1*	Code of Conduct and Ethics.
16.1	Letter dated June 20, 2002, from Arthur Andersen LLP is incorporated by reference to Exhibit 16.1 of the Company's current report on Form 8-K filed on June 21, 2002.
21.1*	List of Subsidiaries.
23.1*	Consent of KPMG LLP.
23.2*	Statement Regarding Consent of Arthur Andersen LLP.
31.1*	Rule 13a-14(a)/15d-14(a) Certification of the Company's Principal Executive Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification of the Company's Principal Financial Officer.
32.1**	Section 1350 Certification of the Company's Principal Executive Officer.
32.2**	Section 1350 Certification of the Company's Principal Financial Officer.

* Filed herewith

** Furnished herewith

(b) Reports on Form 8-K:

On November 6, 2003, the Company filed a Current Report on Form 8-K under Item 12, in which the Company furnished non-public information regarding the Company's sales for the three and nine months ended October 31, 2003.

On November 13, 2003, the Company filed a Current Report on Form 8-K under Item 12, in which the Company furnished non-public information regarding the Company's earnings for the three and nine months ended October 31, 2003.

On January 8, 2004, the Company filed a Current Report on Form 8-K under Item 12, in which the Company furnished non-public information regarding the Company's sales for the two-month holiday selling season ending December 31, 2003.

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.

URBAN OUTFITTERS, INC.

By: /s/ RICHARD A. HAYNE

Richard A. Hayne
President

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 and on the dates indicated.

Signature	Title	Date
/s/ RICHARD A. HAYNE **Richard A. Hayne** **(Principal Executive Officer)**	Chairman of the Board, President and Director	April 15, 2004
/s/ JOHN E. KYEES **John E. Kyees** **(Principal Financial Officer)**	Chief Financial Officer	April 15, 2004
/s/ ROBERT ROSS **Robert Ross** **(Controller)**	Controller	April 15, 2004
Scott A. Belair	Director	
/s/ HARRY S. CHERKEN, JR. **Harry S. Cherken, Jr.**	Director	April 15, 2004
/s/ JOEL S. LAWSON III **Joel S. Lawson III**	Director	April 15, 2004
/s/ ROBERT H. STROUSE **Robert H. Strouse**	Director	April 15, 2004

URBAN OUTFITTERS, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors
of Urban Outfitters, Inc.:

We have audited the accompanying consolidated balance sheets of Urban Outfitters, Inc. and subsidiaries as of January 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The consolidated financial statements of Urban Outfitters, Inc. and subsidiaries for the year ended January 31, 2002 were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those consolidated financial statements, before the restatement described in Note 2 to the consolidated financial statements, in their report dated March 6, 2002.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Urban Outfitters, Inc. and subsidiaries as of January 31, 2004 and 2003, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed above, the consolidated financial statements of Urban Outfitters, Inc. and subsidiaries for the year ended January 31, 2002 were audited by other auditors who have ceased operations. As described in Note 2, all share and per share data have been restated to reflect a 2-for-1 stock split. We audited the adjustments that were applied to restate the share and per share data related to the January 31, 2002 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the January 31, 2002 consolidated financial statements of Urban Outfitters, Inc. and subsidiaries other than with respect to such disclosures and adjustments and, accordingly, we do not express an opinion or any other form of assurance on the January 31, 2002 consolidated financial statements taken as a whole.

/s/ KPMG LLP

Philadelphia, Pennsylvania
March 12, 2004

This is a copy of the audit report previously issued by Arthur Andersen LLP ("Andersen") in connection with the Company's filing on Form 10-K for the fiscal year ended January 31, 2002. This audit report has not been reissued by Andersen nor has Andersen provided a consent to the inclusion of its report in this annual report on Form 10-K. The consolidated balance sheets as of January 31, 2002 and 2001 and the consolidated statements of income, shareholders' equity and cash flows for the years ended January 31, 2001 and 2000 have not been included in the accompanying financial statements. For further discussion, see Exhibit 23.2 to this Form 10-K.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Urban Outfitters, Inc.:

We have audited the accompanying consolidated balance sheets of Urban Outfitters, Inc. (a Pennsylvania corporation) and subsidiaries as of January 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended January 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Urban Outfitters, Inc. and subsidiaries as of January 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2002, in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

Philadelphia, Pennsylvania
March 6, 2002

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URBAN OUTFITTERS, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	January 31, 2004	January 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 67,194	$ 72,127
Marketable securities	19,979	7,379
Accounts receivable, net of allowance for doubtful accounts of $651 and $563, respectively	6,711	3,262
Inventories	63,247	50,006
Prepaid expenses and other current assets	13,872	8,633
Deferred taxes	4,832	4,358
Total current assets	175,835	145,765
Property and equipment, net	121,919	108,847
Marketable securities	52,315	15,640
Deferred income taxes and other assets	9,526	8,925
	$ 359,595	$ 279,177
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 27,353	$ 19,186
Accrued compensation	7,756	5,197
Accrued expenses and other current liabilities	22,653	19,870
Total current liabilities	57,762	44,253
Deferred rent and other liabilities	11,703	10,539
Total liabilities	69,465	54,792
Commitments and contingencies (see Note 10)		
Shareholders' equity:		
Preferred shares; $.0001 par value, 10,000,000 shares authorized, none issued	—	—
Common shares; $.0001 par value, 50,000,000 shares authorized, 39,888,271 and 38,763,272 issued and outstanding, respectively	4	4
Additional paid-in capital	83,283	67,160
Retained earnings	204,905	156,529
Accumulated other comprehensive income	1,938	692
Total shareholders' equity	290,130	224,385
	$ 359,595	$ 279,177

The accompanying notes are an integral part of these consolidated financial statements.

URBAN OUTFITTERS, INC.

CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except share and per share data)

	Fiscal Year Ended January 31,		
	2004	2003	2002
Net sales	$ 548,361	$ 422,754	$ 348,958
Cost of sales, including certain buying, distribution and occupancy costs	334,888	271,963	235,311
Gross profit	213,473	150,791	113,647
Selling, general and administrative expenses	132,767	105,392	88,149
Income from operations	80,706	45,399	25,498
Interest income	1,524	1,497	318
Other expenses, net	(926)	(823)	(594)
Income before income taxes	81,304	46,073	25,222
Income tax expense	32,928	18,660	10,215
Net income	$ 48,376	$ 27,413	$ 15,007
Net income per common share:			
Basic	$ 1.23	$ 0.73	$ 0.44
Diluted	$ 1.20	$ 0.71	$ 0.43
Weighted average common shares outstanding:			
Basic	39,267,463	37,776,456	34,537,230
Diluted	40,415,569	38,776,904	34,876,914

The accompanying notes are an integral part of these consolidated financial statements.

URBAN OUTFITTERS, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except share data)

	Comprehensive Income (Loss)	Common Shares Number of Shares	Common Shares Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balances as of February 1, 2001		34,506,972	$ 4	$ 16,266	$ 114,109	$ (767)	$ 129,612
Net income	$ 15,007	—	—	—	15,007	—	15,007
Foreign currency translation	(360)	—	—	—	—	(360)	(360)
Unrealized gains on marketable securities, net	25	—	—	—	—	25	25
Comprehensive income	$ 14,672						
Exercise of stock options		198,800	—	1,281	—	—	1,281
Tax effect of exercises		—	—	323	—	—	323
Balances as of January 31, 2002		34,705,772	4	17,870	129,116	(1,102)	145,888
Net income	$ 27,413	—	—	—	27,413	—	27,413
Foreign currency translation	1,722	—	—	—	—	1,722	1,722
Unrealized gains on marketable securities, net	72	—	—	—	—	72	72
Comprehensive income	$ 29,207						
Stock issued for cash, net of issuance costs		3,200,000	—	41,546	—	—	41,546
Exercise of stock options		857,500	—	5,496	—	—	5,496
Tax effect of exercises		—	—	2,248	—	—	2,248
Balances as of January 31, 2003		38,763,272	4	67,160	156,529	692	224,385
Net income	$ 48,376	—	—	—	48,376	—	48,376
Foreign currency translation	1,338	—	—	—	—	1,338	1,338
Unrealized losses on marketable securities, net	(92)	—	—	—	—	(92)	(92)
Comprehensive income	$ 49,622						
Exercise of stock options		1,124,999	—	8,542	—	—	8,542
Tax effect of exercises		—	—	7,581	—	—	7,581
Balances as of January 31, 2004		39,888,271	$ 4	$ 83,283	$ 204,905	$ 1,938	$ 290,130

The accompanying notes are an integral part of these consolidated financial statements.

URBAN OUTFITTERS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Fiscal Year Ended January 31,		
	2004	2003	2002
Cash flows from operating activities:			
Net income	$ 48,376	$ 27,413	$ 15,007
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	22,415	18,208	15,462
Provision for deferred income taxes	(1,132)	(3,079)	(1,274)
Tax benefit of stock option exercises	7,581	2,248	323
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(3,437)	887	(691)
Increase in inventories	(13,125)	(8,735)	(6,348)
(Increase) decrease in prepaid expenses and other assets	(5,148)	(2,718)	1,120
Increase in accounts payable, accrued expenses and other liabilities	14,247	7,567	9,141
Net cash provided by operating activities	69,777	41,791	32,740
Cash flows from investing activities:			
Capital expenditures	(33,079)	(22,247)	(22,309)
Purchases of marketable securities	(87,322)	(43,585)	—
Sales of marketable securities	36,751	20,230	307
Net cash used in investing activities	(83,650)	(45,602)	(22,002)
Cash flows from financing activities:			
Exercise of stock options	8,542	5,496	1,281
Issuance of common shares, net of issuance costs	—	41,546	—
Net cash provided by financing activities	8,542	47,042	1,281
Effect of exchange rate changes on cash and cash equivalents	398	645	(54)
(Decrease) increase in cash and cash equivalents	(4,933)	43,876	11,965
Cash and cash equivalents at beginning of period	72,127	28,251	16,286
Cash and cash equivalents at end of period	$ 67,194	$ 72,127	$ 28,251
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	$ 152	$ 31	$ —
Income taxes	$ 28,003	$ 20,146	$ 9,417

The accompanying notes are an integral part of these consolidated financial statements.

URBAN OUTFITTERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share data)

1. Nature of Business

Urban Outfitters, Inc. (the "Company" or "Urban Outfitters"), which was founded in 1970 and originally operated by a predecessor partnership, was incorporated in the Commonwealth of Pennsylvania in 1976. The principal business activity of the Company is the operation of a general consumer product retail business through retail stores, two catalogs and two web sites. As of January 31, 2004 and 2003, the Company operated 114 and 93 stores, respectively. Stores located in the United States totaled 108 as of January 31, 2004 and 88 as of January 31, 2003, while operations in Europe and Canada included six stores and five stores as of the same respective dates. In addition, the Company engages in the wholesale distribution of apparel to approximately 1,100 better specialty retailers worldwide.

2. Summary of Significant Accounting Policies

Fiscal Year-End

The Company operates on a fiscal year ending January 31 of each year. All references to fiscal years of the Company refer to the fiscal years ended on January 31 in those years. For example, the Company's fiscal 2004 ended on January 31, 2004.

Principles of Consolidation

The consolidated financial statements include the accounts of Urban Outfitters, Inc. and its wholly owned subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

Reclassifications

Certain prior year amounts have been reclassified in the accompanying consolidated financial statements to conform to the current year presentation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. Actual results could differ from those estimates.

Stock Split

On August 14, 2003, our Board of Directors authorized a two-for-one split of our common shares in the form of a 100% stock dividend. The additional shares issued as a result of the stock split were distributed on September 19, 2003 to shareholders of record as of September 5, 2003. All relevant amounts in the accompanying consolidated financial statements and the notes thereto have been restated to reflect the stock split for all periods presented.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash and highly liquid investments with maturities of less than three months at the time of purchase. As of January 31, 2004 and 2003, cash and cash equivalents included cash on hand, cash in banks, money market accounts and certain auction rate instruments.

Marketable Securities

The Company's marketable securities may be classified as either held-to-maturity or available-for-sale. Held-to-maturity securities represent those securities that the Company has both the intent and ability to hold to maturity and are carried at amortized cost. Interest on these securities, as well as amortization of discounts and premiums, is included in interest income. Available-for-sale securities represent those securities that do not meet the classification of held-to-maturity, are not actively traded and are carried at fair value, which approximates amortized cost. Unrealized gains and losses on these securities are excluded from earnings and are reported as a separate component of shareholders' equity until realized. When available-for-sale securities are sold, the cost of the securities is specifically identified and is used to determine the realized gain or loss. Securities classified as current have maturity dates of less than one year from the balance sheet date. Securities classified as long-term have maturity dates greater than one year from the balance sheet date. Marketable securities as of January 31, 2004 and 2003 were classified as available-for-sale.

Inventories

Inventories, which consist primarily of general consumer merchandise held for sale, are valued at the lower of cost or market. Cost is determined on the first-in, first-out method and primarily includes the cost of merchandise and freight. As of January 31, 2004 and 2003, the amount of finished goods included in inventories was $63,038 and $49,648 respectively. In addition, the amount of work-in-process included in inventories was $209 and $358, respectively.

Property and Equipment

Property and equipment is stated at cost. Depreciation and amortization are computed using the straight-line method over five years for furniture and fixtures, the lesser of the lease term or useful life for leasehold improvements, three to ten years for other operating equipment and thirty-nine years for the building.

The Company reviews long-lived assets for possible impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. This determination includes evaluation of factors such as future asset utilization and future net undiscounted cash flows expected to result from the use of the assets. Management believes there has been no impairment of the Company's long-lived assets as of January 31, 2004.

Deferred Rent

Rent expense on leases is recorded on a straight-line basis over the lease period. The excess of rent expense over the actual cash paid is recorded as deferred rent.

URBAN OUTFITTERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Revenue Recognition

Revenue is recognized at the point-of-sale for retail store sales or when merchandise is shipped to customers for wholesale and direct-to-consumer sales, net of estimated customer returns. Deposits for custom orders are recorded as a liability and recognized as a sale upon delivery of the merchandise to the customer. These custom orders, typically for upholstered furniture, have not been material. Gift card sales to customers are initially recorded as liabilities and recognized as sales upon redemption for merchandise.

Shipping and Handling Fees and Costs

The Company includes shipping and handling revenues in net sales and shipping and handling costs in cost of sales. The Company's shipping and handling revenues consist of amounts billed to customers for shipping and handling merchandise. Shipping and handling costs include shipping supplies, related labor costs and third-party shipping costs.

Advertising

The Company expenses the costs of advertising when the advertising occurs, except for direct-to-consumer advertising, which is capitalized and amortized over its expected period of future benefit. If there is no expected future benefit, the cost of advertising is expensed when incurred. Advertising costs reported as prepaid expenses were $1,950 and $967 as of January 31, 2004 and 2003, respectively. Advertising expenses were $11,165, $9,806 and $8,141 for fiscal 2004, 2003 and 2002, respectively.

Start-up Costs

The Company expenses as incurred all start-up and organization costs, including travel, training, recruiting, salaries and other operating costs.

Web Site Development Costs

The Company capitalizes applicable costs incurred during the application and infrastructure development stage and expenses costs incurred during the planning and operating stage. During fiscal 2004, 2003 and 2002, the Company did not capitalize any internal-use software development costs because substantially all costs were incurred during the planning stage, and costs incurred during the application and infrastructure development stage were not material.

Income Taxes

The Company applies Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," which principally utilizes a balance sheet approach to provide for income taxes. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of net operating loss carryforwards and temporary differences between the carrying amounts and the tax bases of assets and liabilities. The Company files a consolidated United States federal income tax return.

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Net Income Per Common Share

Basic net income per common share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding. Diluted net income per common share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding, after giving effect to the potential dilution from the exercise of securities, such as stock options, into shares of common stock as if those securities were exercised (see Note 9).

Accounting for Stock-Based Compensation

The Company accounts for stock-based compensation under the provisions of Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees” (see Note 8). In 1995, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 123, “Accounting for Stock-Based Compensation,” which established a fair value based method of accounting for stock-based compensation plans. The Company has adopted the disclosure requirements of SFAS No. 123.

Had compensation cost for the Company’s stock-based compensation plans been determined under SFAS No. 123, the Company’s net income and net income per common share would have been decreased to the following pro forma amounts:

	Fiscal Year Ended January 31,		
	2004	2003	2002
Net income—as reported	$48,376	$27,413	$15,007
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards, net of related tax effects	(4,528)	(1,426)	(1,396)
Net income—pro forma	$43,848	$25,987	$13,611
Net income per common share—basic—as reported	$ 1.23	$ 0.73	$ 0.44
Net income per common share—basic—pro forma	$ 1.12	$ 0.69	$ 0.40
Net income per common share—diluted—as reported	$ 1.20	$ 0.71	$ 0.43
Net income per common share—diluted—pro forma	$ 1.08	$ 0.67	$ 0.39

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Fiscal 2004	Fiscal 2003	Fiscal 2002
Expected life	6.4 years	6.6 years	6.5 years
Risk-free interest rate	2.8%	4.8%	5.2%
Volatility	56.7%	58.5%	55.4%
Dividend rate	0%	0%	0%

URBAN OUTFITTERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Accumulated Other Comprehensive Income (Loss)

Comprehensive income is comprised of two subsets—net income and other comprehensive income (loss). Amounts in accumulated other comprehensive income (loss) relate to foreign currency translation adjustments and unrealized gains (losses) on marketable securities. The foreign currency translation adjustments are not adjusted for income taxes because these adjustments relate to indefinite investments in non-U.S. subsidiaries. As of January 31, 2004, 2003 and 2002, accumulated other comprehensive income (loss) consists of foreign currency translation adjustments of $1,958, $620 and ($1,102), respectively and unrealized (losses) and gains on marketable securities of $(20), $72 and $0, respectively.

Foreign Currency Translation

The financial statements of the Company's foreign operations are translated into U.S. dollars. Assets and liabilities are translated at current exchange rates while income and expense accounts are translated at the average rates in effect during the year. Translation adjustments are not included in determining net income, but are included in accumulated other comprehensive income (loss) within shareholders' equity. Transaction gains and losses are included in operating results and were not material in fiscal 2004, 2003 or 2002.

Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, marketable securities, accounts receivable and accounts payable. Management believes that the carrying value of these assets and liabilities are representative of their respective fair values.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents, marketable securities and accounts receivable. The Company manages the credit risk associated with cash, cash equivalents and marketable securities by investing with high-quality institutions and, by policy, limiting the amount of credit exposure to any one institution. Receivables with third party credit cards are processed by financial institutions, which are monitored for financial stability. The Company periodically evaluates the financial condition of its wholesale segment customers. The Company's allowance for doubtful accounts reflects current market conditions and management's assessment regarding the collectability of its accounts receivable. The Company maintains cash accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses from maintaining cash accounts in excess of such limits. Management believes that it is not exposed to any significant risks related to its cash accounts.

New Accounting Pronouncements

In May 2003, the FASB issued SFAS SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." It establishes classification and measurement standards for three types of freestanding financial instruments that have characteristics of both liabilities and equity. Instruments within the scope of SFAS No. 150 must be classified as liabilities within the Company's Consolidated Financial Statements and be reported at settlement date value. The provisions of SFAS No. 150 are effective for (i) instruments entered into or modified after May 31, 2003, and (ii) pre-existing instruments as of July 1, 2003. In November 2003, through the issuance of FASB Staff Position 150-3 ("FSP 150-3"), the FASB indefinitely deferred the effective date of certain provisions of SFAS No. 150. The adoption of SFAS No. 150, as modified by FSP 150-3, had no impact on the Company's financial position or results of operations.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 clarifies under what circumstances a contract with an initial net investment meets the characteristics of a derivative as discussed in SFAS No. 133. It also specifies when a derivative contains a financing component that requires special reporting in the statement of cash flows. SFAS No. 149 amends certain other existing pronouncements in order to improve consistency in reporting these types of transactions. The new guidance is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. SFAS No. 149 did not have a material effect on the Company's financial position or results of operations.

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities." FIN 46 addresses consolidation by business enterprises of variable interest entities, which are entities that either (a) do not have equity investors with vesting rights or (b) have equity investors that do not provide sufficient financial resources for the entity to support its activities. The interpretation is effective immediately for variable interest entities created after February 1, 2003. In December 2003, the FASB published FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" ("FIN-46R"). FIN 46R, among other things, defers the effective date of implementation for certain entities. The revised interpretation is effective for the first interim or annual reporting period ending after March 15, 2004, with the exception of structures that are commonly referred to as special-purpose entities, for which the statement is effective for periods ending after December 15, 2003. The Company does not have any interest in any entity that requires disclosure or consolidation as a result of adopting the provisions of FIN 46.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure." SFAS No. 148 amends SFAS No. 123, and is effective for fiscal years ending after December 15, 2002. SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. We have adopted the quarterly disclosure requirements of SFAS No. 148; however, we continue to account for our stock-based compensation based upon the guidance of SFAS No. 123, which allows us to measure stock-based compensation using the intrinsic value based method of accounting prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees." The Company will continue to consider alternative methods as future pronouncements are issued by the FASB.

URBAN OUTFITTERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In November 2002, the FASB issued Interpretation No. 45 ("FIN 45"), "Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement requirements of FIN 45 are effective prospectively for guarantees issued or modified after December 31, 2002. The Company's adoption of FIN 45 did not have a material effect on our financial position or results of operations.

3. Marketable Securities

The amortized cost, gross unrealized gains (losses) and fair value of available-for-sale securities by major security type and class of security as of January 31, 2004 and 2003 were as follows:

	Amortized Cost	Unrealized Gain (Loss)	Fair Value
As of January 31, 2004			
Municipal bonds:			
Maturing in less than one year	$ 11,567	$ 12	$ 11,579
Maturing after one year through four years	45,347	(32)	45,315
	56,914	(20)	56,894
Auction rate instruments:			
Maturing in less than one year	8,400	—	8,400
Maturing after one year through four years	7,000	—	7,000
	15,400	—	15,400
	$ 72,314	$ (20)	$ 72,294

	Amortized Cost	Unrealized Gain (Loss)	Fair Value
As of January 31, 2003			
One-year Canadian term deposit	$ 986	$ —	$ 986
Municipal bonds:			
Maturing in less than one year	4,300	93	4,393
Maturing after one year through four years	13,661	(21)	13,640
	18,947	72	19,019
Auction rate instruments:			
Maturing in less than one year	2,000	—	2,000
Maturing after one year through four years	2,000	—	2,000
	4,000	—	4,000
	$ 22,947	$ 72	$ 23,019

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URBAN OUTFITTERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Proceeds from the sales of available-for-sale securities were $36,751, $20,230 and $307 in fiscal 2004, 2003 and 2002, respectively. Gross realized gains included in other income in fiscal 2004 and 2003 were $190 and $311, respectively. There were no gross realized gains included in other income for fiscal 2002.

4. Property and Equipment

Property and equipment is summarized as follows:

	January 31,	
	2004	2003
Land	$ 543	$ 543
Building	4,331	4,331
Furniture and fixtures	59,220	44,487
Leasehold improvements	139,051	121,878
Other operating equipment	12,638	10,056
Construction-in-progress	3,467	3,487
	219,250	184,782
Accumulated depreciation and amortization	(97,331)	(75,935)
Total	$ 121,919	$ 108,847

Depreciation and amortization expense for property and equipment for fiscal 2004, 2003 and 2002 was $21,034, $17,885 and $15,434, respectively.

5. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	January 31,	
	2004	2003
Accrued sales taxes	$ 1,880	$ 1,095
Accrued rents and related taxes	2,840	2,867
Gift certificates and merchandise credits	5,712	3,523
Accrued income taxes	2,610	4,379
Other current liabilities	9,611	8,006
Total	$ 22,653	$ 19,870

6. Line of Credit Facility

On September 9, 2003, the Company renewed and amended its line of credit facility (the “Line”). The Line is a one-year $30,000 committed line of credit to fund working capital requirements and letters of credit. The Line contains a sublimit for borrowings by the Company’s European subsidiaries

URBAN OUTFITTERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

and is guaranteed by the Company, as defined in the credit facility. Cash advances bear interest at LIBOR plus 1.25% to 1.75% based on the achievement of prescribed adjusted debt ratios. The agreement subjects the Company to various restrictive covenants, including maintenance of certain financial ratios and covenants such as fixed charge coverage, adjusted debt and minimum tangible net worth and limits capital expenditures and share repurchases, while prohibiting the payment of cash dividends on the Company's common shares. As of January 31, 2004, the Company was in compliance with all covenants under the Line. There were no borrowings under the Line outstanding as of January 31, 2004 or January 31, 2003. Outstanding letters of credit under the Line totaled $14,597 and $13,268 as of January 31, 2004 and January 31, 2003, respectively. The available borrowings under the Line were $15,403 and $16,732 as of January 31, 2004 and January 31, 2003, respectively.

7. Income Taxes

The components of income before income taxes are as follows:

	Fiscal Year Ended January 31,		
	2004	2003	2002
Domestic	$82,011	$46,350	$25,705
Foreign	(707)	(277)	(483)
	$81,304	$46,073	$25,222

The components of the provision for income tax expense are as follows:

	Fiscal Year Ended January 31,		
	2004	2003	2002
Current:			
Federal	$29,408	$18,340	$ 9,694
State	3,833	3,130	1,632
Foreign	819	269	163
	34,060	21,739	11,489
Deferred:			
Federal	(951)	(2,215)	(789)
State	(104)	(676)	(495)
Foreign	(520)	(159)	(28)
	(1,575)	(3,050)	(1,312)
Change in valuation allowances	443	(29)	38
	$32,928	$18,660	$10,215

URBAN OUTFITTERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company's effective tax rate was different than the statutory U.S. federal income tax rate for the following reasons:

	Fiscal Year Ended January 31,		
	2004	2003	2002
Expected provision at statutory U.S. federal tax rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal tax benefit	5.2	6.2	3.2
Expenses relating to provision for foreign net operating losses, investment in equity securities and other	0.3	(0.7)	2.3
Effective tax rate	40.5%	40.5%	40.5%

The significant components of deferred tax assets and liabilities as of January 31, 2004 and 2003 are as follows:

	January 31,	
	2004	2003
Deferred tax liability:		
Prepaid expenses	$ (401)	$ (235)
Deferred tax assets:		
Depreciation	4,663	4,281
Deferred rent	4,230	3,763
Inventories	4,825	3,975
Accounts receivable	407	227
Capital loss carryforwards	628	704
Net operating loss carryforwards	1,598	1,276
Accrued salaries and benefits, and other	7	391
Gross deferred tax assets, before valuation allowances	15,957	14,382
Valuation allowances	(2,145)	(1,702)
Net deferred tax assets	$ 13,812	$ 12,680

As of January 31, 2004, certain non-U.S. subsidiaries of the Company had net operating loss carryforwards for tax purposes of approximately $5,572 that do not expire and certain U.S. subsidiaries had state net operating loss carryforwards for tax purposes of approximately $822 that expire from 2005 through 2023. Additionally, as of January 31, 2004, the Company had capital loss carryforwards for tax purposes that expire in 2006. As of January 31, 2004, the Company had a full valuation allowance for the foreign net operating loss carryforwards and the capital loss carryforwards. As of January 31, 2004, the Company had no valuation allowance for the state net operating loss carryforwards as management believes it is more likely than not that the tax benefit of these carryforwards will be realized. As of January 31, 2004 and 2003, the noncurrent portion of deferred tax assets aggregated $8,980 and $8,322, respectively.

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The cumulative amount of the Company's share of undistributed earnings of non-U.S. subsidiaries for which no deferred taxes have been provided was $5,926 as of January 31, 2004. These earnings are deemed to be permanently reinvested to finance growth programs.

8. Stock Option Plans

The Company's 2000 Stock Incentive Plan (the "2000 Plan") authorizes up to 2,500,000 common shares, which can be granted as restricted shares, incentive stock options or nonqualified stock options. The vesting periods for the 2000 Plan range from one to ten years. The Company's 1997 Stock Option Plan (the "1997 Plan"), which replaced the previous 1987, 1992 and 1993 Stock Option Plans (the "Superceded Plans"), expired during the year ended January 31, 2004. However, individual grants outstanding under the 1997 Plan or certain of the Superceded Plans have expiration dates, which extend into the year 2010. The Company will present for shareholder approval the 2004 Stock Incentive Plan (the "2004 Plan") at its annual shareholder meeting scheduled to be held on June 1, 2004. The 2004 Plan will provide up to 2,500,000 common shares for future grants. As of January 31, 2004, 75,300 common shares were available for grant under the 2000 Plan.

Information regarding options under these option plans is as follows:

	Fiscal 2004		Fiscal 2003		Fiscal 2002	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding at beginning of year	3,190,000	$ 7.90	3,628,800	$ 6.92	2,908,000	$ 7.46
Options granted	1,130,000	17.04	464,500	12.75	1,080,000	6.09
Options exercised	(1,124,999)	7.59	(857,500)	6.41	(198,800)	6.45
Options canceled	(452,200)	7.99	(45,800)	6.03	(160,400)	11.81
Options outstanding at end of year	2,742,801	11.78	3,190,000	7.90	3,628,800	6.92
Options exercisable at end of year	720,200	8.83	1,187,000	7.84	1,417,800	7.40
Weighted average fair value of grants per share	$ 10.23		$ 8.01		$ 3.54	

URBAN OUTFITTERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes information concerning currently outstanding and exercisable options as of January 31, 2004:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Amount Outstanding	Wtd. Avg. Remaining Contractual Life	Wtd. Avg Exercise Price	Amount Exercisable	Wtd. Avg. Exercise Price
$ 3.69—$ 7.38	971,200	6.3	$ 5.96	348,800	$ 5.88
$ 7.39—$ 11.07	408,400	7.2	9.00	177,400	8.50
$11.08—$ 14.75	372,201	7.2	12.12	113,800	12.89
$14.76—$ 18.44	876,000	9.0	17.10	80,200	16.63
$18.45 and over	115,000	9.7	31.30	—	—
	2,742,801	7.5	11.87	720,200	8.83

9. Net Income Per Common Share

The following is a reconciliation of the weighted average shares outstanding used for the computation of basic and diluted net income per common share:

	Fiscal Year Ended January 31,		
	2004	2003	2002
Basic weighted average shares outstanding	39,267,463	37,776,456	34,537,230
Effect of dilutive options	1,148,106	1,000,448	339,684
Diluted weighted average shares outstanding	40,415,569	38,776,904	34,876,914

For the years ended January 31, 2004, 2003, and 2002, options to purchase 330,875 shares ranging in price from $11.43 to $17.70, options to purchase 347,900 shares ranging in price from $12.16 to $17.40 and options to purchase 229,000 shares ranging in price from $13.10 to $13.49 were excluded from the calculation of diluted net income per common share for the respective fiscal years because the effect was antidilutive.

URBAN OUTFITTERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

10. Commitments and Contingencies

Leases

The Company leases its stores under noncancelable operating leases. The following is a schedule by year of the future minimum lease payments for operating leases with original terms in excess of one year:

Fiscal Year	
2005	$ 46,732
2006	47,798
2007	46,371
2008	43,737
2009	42,462
Thereafter	180,701
Total minimum lease payments	$ 407,801

Amounts noted above include commitments for nineteen executed leases for stores not opened as of January 31, 2004. The store leases generally provide for payment of direct operating costs including real estate taxes. Certain store leases provide for contingent rentals when sales exceed specified levels. Additionally, the Company entered into store leases that require a percentage of total sales to be paid to landlords in lieu of minimum rent.

Rent expense consisted of the following:

	Fiscal Year Ended January 31,		
	2004	2003	2002
Minimum rentals	$ 43,810	$ 36,975	$ 32,704
Contingent rentals	786	797	216
Total	$ 44,596	$ 37,772	$ 32,920

The Company also leases certain office equipment under a noncancelable capital lease, which expires in April 2005. Principal payments under this capital lease for fiscal 2005 and 2006 are $ 211 and $60, respectively.

Benefit Plan

Full and part-time U.S. based employees who are at least 18 years of age are eligible after six months of employment to participate in the Urban Outfitters 401(k) Savings Plan (the “Plan”). Under the Plan, employees can defer 1% to 25% of compensation as defined. The Company makes matching contributions of $0.25 per employee contribution dollar on the first 6% of the employee contribution. The employees’ contribution is 100% vested while the Company’s matching contribution vests at 20% per year of employee service. The Company’s contributions were $401, $336 and $285 for fiscal 2004, 2003 and 2002, respectively.

URBAN OUTFITTERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Contingencies

On March 26, 2004, an employee filed an employment related suit seeking class action status, unspecified monetary damages and equitable relief against Anthropologie, Inc., a subsidiary of the Company, in the Superior Court of California for Orange County. The complaint alleges that, under California law, the plaintiff and certain other employees were misclassified as employees exempt from overtime and seeks recovery of unpaid wages, penalties and damages. The Company believes the claim is frivolous, without merit and intends to defend it vigorously.

The Company is party to various other legal proceedings arising from normal business activities. Management believes that the ultimate resolution of these matters will not have a material adverse effect on the Company's financial position or results of operations.

11. Related Party Transactions

Harry S. Cherken, Jr., a director of the Company, is a partner in the law firm of Drinker Biddle & Reath LLP ("DBR"), which provides real estate, regulatory and general legal services to the Company. Fees paid to DBR during fiscal 2004, 2003, and 2002 were $1,024, $1,253 and $501, respectively.

12. Segment Reporting

The Company is a national retailer of lifestyle-oriented general merchandise operating through 114 stores under the retail names "Urban Outfitters," "Anthropologie" and "Free People" and through two catalogs and two web sites. Net sales from the retail segment accounted for over 94% of total consolidated net sales for fiscal 2004, 2003 and 2002. The remainder is derived from a wholesale division that manufactures and distributes apparel to the retail segment and to approximately 1,100 better specialty retailers worldwide.

The Company has aggregated its operations into these two reportable segments based upon their unique management, customer base and economic characteristics. Reporting in this format provides management with the financial information necessary to evaluate the success of the segments and the overall business. The Company evaluates the performance of the segments based on the net sales and pre-tax income from operations (excluding intercompany charges) of the segment. Corporate expenses include expenses incurred in and directed by the corporate office that are not allocated to segments. The principal identifiable assets for each operating segment are inventories and property and equipment. Other assets are comprised primarily of general corporate assets, which principally consist of cash and cash equivalents, marketable securities and other assets, which are typically not allocated to our segments. The Company accounts for intersegment sales and transfers as if the sales and transfers were made to third parties making similar volume purchases.

Both the retail and wholesale segment are highly diversified. No customer comprises more than 10% of sales. Foreign operations are immaterial.

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The accounting policies of the operating segments are the same as the policies described in Note 2, "Summary of Significant Accounting Policies." A summary of the information about the Company's operations by segment is as follows:

	Fiscal Year		
	2004	2003	2002
Net sales			
Retail operations	$ 530,797	$ 404,656	$ 330,691
Wholesale operations	19,431	21,030	24,391
Intersegment elimination	(1,867)	(2,932)	(6,124)
Total net sales	$ 548,361	$ 422,754	$ 348,958
Income from operations			
Retail operations	$ 84,254	$ 48,336	$ 27,961
Wholesale operations	932	951	1,403
Intersegment elimination	(332)	(519)	(1,290)
Total segment operating income	84,854	48,768	28,074
General corporate expenses	(4,148)	(3,369)	(2,576)
Total income from operations	$ 80,706	$ 45,399	$ 25,498
Depreciation and amortization expense			
Retail operations	$ 22,146	$ 17,956	$ 15,295
Wholesale operations	269	252	167
Total depreciation and amortization expense	$ 22,415	$ 18,208	$ 15,462
Inventories			
Retail operations	$ 60,571	$ 47,993	$ 39,014
Wholesale operations	2,676	2,013	2,072
Total inventories	$ 63,247	$ 50,006	$ 41,086
Property and equipment, net			
Retail operations	$ 120,948	$ 108,106	$ 104,655
Wholesale operations	971	741	850
Property and equipment, net	$ 121,919	$ 108,847	$ 105,505
Capital expenditures			
Retail operations	$ 32,592	$ 22,118	$ 22,275
Wholesale operations	487	129	34
Total capital expenditures	$ 33,079	$ 22,247	$ 22,309

REPORT OF INDEPENDENT AUDITORS
ON FINANCIAL STATEMENT SCHEDULE

To the Shareholders and the Board of Directors
Urban Outfitters, Inc.:

Under date of March 12, 2004, we reported on the consolidated balance sheets of Urban Outfitters, Inc. and subsidiaries as of January 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedule, Valuation and Qualifying Accounts. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Philadelphia, Pennsylvania
March 12, 2004

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URBAN OUTFITTERS, INC.

SCHEDULE II—Valuation and Qualifying Accounts
(in thousands)

	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions	Balance at End of Period
Allowance for doubtful accounts				
Year ended January 31, 2004	$ 563	$ 604	$ (516)	$ 651
Year ended January 31, 2003	562	612	(611)	563
Year ended January 31, 2002	501	410	(349)	562
Sales return/discount reserve				
Year ended January 31, 2004	$ 1,361	$ 951	$ —	$ 2,312
Year ended January 31, 2003	276	1,085	—	1,361
Year ended January 31, 2002	260	16	—	276

EXHIBIT 10.8

URBAN OUTFITTERS

2004

STOCK INCENTIVE PLAN

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URBAN OUTFITTERS

2004
STOCK INCENTIVE PLAN

WHEREAS, Urban Outfitters, Inc. desires to grant equity incentive awards to certain of its employees, consultants and non-employee directors;

NOW, THEREFORE, the Urban Outfitters 2004 Stock Incentive Plan is hereby adopted under the following terms and conditions:

SECTION 1 - PURPOSE AND DEFINITIONS

(a) **Purpose.** The Plan is intended to provide a means whereby the Company may, through the grant of Awards to Employees, Consultants and Non-Employee Directors, attract and retain such individuals and motivate them to exercise their best efforts on behalf of the Company and of any Related Corporation.

(b) **Definitions**.

(1) **"Administrator"** shall mean:

(A) The Chairman of the Board, with respect to an Award which (i) covers 20,000 or fewer shares of Common Stock, and (ii) is granted to an individual who is not subject to section 16(b) of the Exchange Act; or

(B) The Committee.

(2) **"Award"** shall mean an ISO, NQSO, SAR, Restricted Stock or RSU awarded by the Company to an Employee, a Consultant or a Non-Employee Director.

(3) **"Award Agreement"** shall mean a written document evidencing the grant of an Award, as described in Section 11.

(4) **"Board"** shall mean the Board of Directors of the Company.

(5) **"Code"** shall mean the Internal Revenue Code of 1986, as amended.

(6) **"Common Stock"** shall mean the common stock of the Company, par value $0.0001 per share.

(7) "**Committee**" shall mean a committee which consists solely of not fewer than two directors of the Company who shall be appointed by, and serve at the pleasure of, the Board (taking into consideration the rules under section 16(b) of the Exchange Act and the requirements of section 162(m) of the Code), or the entire Board.

(8) **"<u>Company</u>"** shall mean Urban Outfitters, Inc.

(9) **"<u>Consultant</u>"** shall mean an individual who is not an Employee or a Non-Employee Director and who has entered into a consulting arrangement with the Company or a Related Corporation to provide services that (i) are not in connection with the offer or sale of securities in a capital-raising transaction, and (ii) do not directly or indirectly promote or maintain a market for the Company's securities.

(10) **"<u>Employee</u>"** shall mean an officer or other employee of the Company or a Related Corporation.

(11) **"<u>Exchange Act</u>"** shall mean the Securities Exchange Act of 1934, as amended.

(12) **"<u>Fair Market Value</u>"** shall mean:

(A) The arithmetic average of the highest and lowest quoted selling price, if there is a market for the Common Stock on a registered securities exchange or in an over the counter market, on the applicable date; or

(B) Fair market value determined under such other method as shall be authorized by the Code, or the rules or regulations thereunder, and adopted by the Committee.

(13) **"<u>Grantee</u>"** shall mean an Employee, a Consultant or a Non-Employee Director who has been granted an Award under the Plan.

(14) **"<u>ISO</u>"** shall mean an Option which, at the time such Option is granted, qualifies as an incentive stock option within the meaning of section 422 of the Code, unless the Award Agreement states that the Option will not be treated as an ISO.

(15) **"<u>Non-Employee Director</u>"** shall mean a director of the Company who:

(A) Is not an Employee; and

(B) Has not been an Employee during the immediately preceding 12-month period.

(16) **"<u>NQSO</u>"** shall mean an Option which, at the time such Option is granted, does not qualify as an ISO, whether or not it is designated as a nonqualified stock option in the Award Agreement.

(17) **"<u>Options</u>"** shall mean ISOs and NQSOs which entitle the Grantee on exercise thereof to purchase shares of Common Stock at a specified exercise price.

(18) **“<u>Plan</u>”** shall mean the Urban Outfitters 2004 Stock Incentive Plan as set forth herein and as amended from time to time.

(19) **“<u>Related Corporation</u>”** shall mean either a “subsidiary corporation” of the Company, as defined in section 424(f) of the Code, or the “parent corporation” of the Company, as defined in section 424(e) of the Code.

(20) **“<u>Restricted Stock</u>”** shall mean Common Stock subject to restrictions determined by the Administrator pursuant to Section 9.

(21) “**<u>RSU</u>”** shall mean a restricted stock unit granted pursuant to Section 10.

(22) **“<u>SAR</u>”** shall mean an Award entitling the recipient on exercise to receive an amount, in cash or Common Stock or in a combination thereof (such form to be determined by the Administrator), determined in whole or in part by reference to appreciation in the value of Common Stock.

(23) **“<u>Termination of Service</u>”** shall mean (a) with respect to an Award granted to an Employee, the termination of the employment relationship between the Employee and the Company and all Related Corporations; (b) with respect to an Award granted to a Consultant, the termination of the consulting arrangement between the Consultant and the Company and all Related Corporations; and (c) with respect to an Award granted to a Non-Employee Director, the cessation of the provision of services as a director of the Company and all Related Corporations; provided, however, that if the Grantee’s status changes from Employee, Consultant or Non-Employee Director to any other status eligible to receive an Award under the Plan, the Administrator (subject to Section 15(a)) may provide that no Termination of Service occurs for purposes of the Plan until the Grantee’s new status with the Company and all Related Corporations terminates. For purposes of this paragraph, if a Grantee’s relationship is with a Related Corporation and not the Company, the Grantee shall incur a Termination of Service when such corporation ceases to be a Related Corporation, unless the Committee determines otherwise.

SECTION 2 - ADMINISTRATION

The Plan shall be administered by the Administrator. The Administrator (and members thereof), while serving as such, shall be deemed to be acting in his or her capacity as a director or an officer of the Company.

The Administrator shall have full authority, subject to the terms of the Plan, to select the Employees, Consultants and Non-Employee Directors, to be granted Awards under the Plan, to grant Awards on behalf of the Company, and to set the date of grant and the other terms of such Awards in accordance with the Plan; provided, however, that Consultants and Non-Employee Directors shall not be eligible to receive ISOs under the Plan. The Committee may correct any defect, supply any omission, and reconcile any inconsistency in the Plan, and the Administrator may do so with respect to any Award granted hereunder, in the manner and to the extent it (or he) deems desirable. The Committee also shall have the authority (1) to establish such rules and regulations, not inconsistent with the provisions of the Plan, for the proper administration of the Plan, and to amend, modify, or rescind any such rules and regulations, (2) to adopt modifications, amendments, procedures, sub-plans and the like, which may be inconsistent with the provisions of the Plan, as are necessary to comply with the laws and regulations of other countries in which the Company operates in order to assure the viability of Awards granted under the Plan to individuals in such other countries, and (3) to make such determinations and interpretations under, or in connection with, the Plan, as it deems necessary or advisable. All such rules, regulations, determinations, and interpretations shall be binding and conclusive upon the Company, its shareholders, and all Grantees, upon their respective legal representatives, beneficiaries, successors, and assigns, and upon all other persons claiming under or through any of them. Except as otherwise required by the bylaws of the Company or by applicable law, no member of the Board or the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Award granted under it.

Notwithstanding the foregoing, the terms and conditions of formula NQSOs granted to Non-Employee Directors under Section 7 are intended to be fixed in advance. Consequently, neither the Administrator nor the Board shall have discretionary authority with respect to formula NQSOs granted pursuant to Section 7.

SECTION 3 - ELIGIBILITY

Employees, Non-Employee Directors and Consultants shall be eligible to receive Awards under the Plan. However, Employees and Consultants shall not be eligible to receive formula NQSOs under Section 7, and Non-Employee Directors and Consultants shall not be eligible to receive ISOs. More than one Award may be made to a Grantee under the Plan.

SECTION 4 - STOCK

The aggregate number of shares of Common Stock that may be delivered under the Plan is 2,500,000 shares, subject to the following limits:

(a) The aggregate number of shares of Common Stock subject to Options and SARs granted to an Employee during any calendar year under the Plan shall not exceed 600,000 shares; and

(b) No more than 1,000,000 shares of Common Stock shall be available for the granting of Restricted Stock and RSUs under the Plan.

Each limit in the preceding sentence shall be subject to the adjustment described in Section 12. Shares issuable under the Plan may be authorized but unissued shares or reacquired shares, and the Company may purchase shares required for this purpose, from time to time, if it deems such purchase to be advisable.

If any Award expires, terminates for any reason, is cancelled, is forfeited or is settled in cash rather than Common Stock, the number of shares of Common Stock with respect to which such Award expired, terminated, was cancelled, was forfeited or was settled in cash, shall continue to be available for future Awards granted under the Plan. However, if an Option or SAR is cancelled, the shares of Common Stock covered by the cancelled Option or SAR shall be counted against the maximum number of shares specified above for which Options and SARs may be granted to a single Employee. If any Option is exercised by surrendering Common Stock to the Company as full or partial payment or if tax withholding requirements are satisfied by withholding or surrendering Common Stock to the Company, only the number of shares issued net of Common Stock withheld or surrendered shall be deemed delivered for purposes of determining the maximum number of shares available for grant under the Plan.

SECTION 5 - GRANTING OF AWARDS

From time to time until the expiration or earlier suspension or discontinuance of the Plan, the Administrator may, on behalf of the Company, grant to Employees, Consultants and Non-Employee Directors such Awards as it determines are warranted. However:

(a) Grants of ISOs and NQSOs shall be separate and not in tandem;

(b) Consultants and Non-Employee Directors shall not be eligible to receive ISOs under the Plan; and

(c) Grants to Non-Employee Directors under Section 7 of the Plan shall be made as provided in such Section.

A member of the Committee shall not participate in a vote approving the grant of an Award to himself or herself to the extent provided under the laws of Pennsylvania governing corporate self-dealing. In making any determination as to whether an Employee, a Consultant or a Non-Employee Director shall be granted an Award, the type of Award to be granted, the number of shares to be covered by the Award, and other terms of the Award, the Administrator may take into account the duties of the Employee, Consultant or Non-Employee Director, his or her present and potential contributions to the success of the Company or a Related Corporation, the tax implications to the Company and the Grantee, and such other factors as the Administrator may deem relevant in accomplishing the purposes of the Plan. Moreover, the Administrator may provide in an Option or an SAR that the Option or SAR may be exercised only if certain conditions (such as performance-based requirements), as determined by the Administrator, are fulfilled.

SECTION 6 - TERMS AND CONDITIONS OF DISCRETIONARY OPTIONS

Discretionary Options granted to Employees, Non-Employee Directors and Consultants pursuant to this Section 6 shall include expressly or by reference the following terms and conditions, as well as such other provisions not inconsistent with the provisions of the Plan (and, for ISOs, the provisions of section 422(b) of the Code), as the Administrator shall deem desirable —

(a) **Number of Shares.** The Option shall state the number of shares of Common Stock to which it pertains.

(b) **Price.** The Option shall state the option price which shall be determined and fixed by the Administrator in its (or his) discretion, but:

(1) With respect to an ISO, the option price shall not be less than 100 percent (110 percent in the case of a more-than-10-percent shareholder, as provided in subsection (i) below) of the Fair Market Value of the shares of Common Stock subject to the Option on the date the ISO is granted; and

(2) In no case may the option price be less than the par value per share of Common Stock.

(c) **Term.** The term of each Option shall be determined by the Administrator, in its (or his) discretion; provided, however, that the term of each ISO shall be not more than 10 years (five years in the case of a more-than-10-percent shareholder, as discussed in subsection (i) below) from the date of grant of the ISO. Each Option shall be subject to earlier termination as provided in subsections (f), (g), and (h) below and in Section 14 hereof.

(d) **Exercise.** An Option shall be exercisable in such installments, upon fulfillment of such other conditions, and on such dates as the Administrator may specify. The Administrator may accelerate the exercise date of an outstanding Option, in its (or his) discretion, if the Administrator deems such acceleration to be desirable.

Any exercisable Option may be exercised at any time up to the expiration or termination of the Option. Exercisable Options may be exercised, in whole or in part and from time to time, by giving notice of exercise to the Company at its principal office, specifying the number of shares to be purchased and accompanied by payment in full of the aggregate Option exercise price for such shares (except that, in the case of an exercise arrangement approved by the Administrator and described in paragraph (3) below, payment may be made as soon as practicable after the exercise). Only full shares shall be issued, and any fractional share which might otherwise be issuable upon exercise of an Option granted hereunder shall be forfeited.

The Award Agreement shall set forth, from among the following alternatives, how the option price is to be paid —

(1) in cash or its equivalent;

(2) in shares of Common Stock previously acquired by the Grantee; provided that such shares have been held by the Grantee for such period of time as required to be considered “mature” shares for purposes of accounting treatment;

(3) by delivering a properly executed notice of exercise of the Option to the Company and a broker, with irrevocable instructions to the broker promptly to deliver to the Company the amount of sale or loan proceeds necessary to pay the exercise price of the Option; or

(4) in any combination of paragraphs (1), (2) and (3) above.

In the event the option price is paid, in whole or in part, with shares of Common Stock, the portion of the option price so paid shall be equal to the aggregate Fair Market Value (determined as of the date of exercise of the Option) of the Common Stock so surrendered in payment of the option price.

(e) **ISO Annual Limit.** The aggregate Fair Market Value (determined as of the date the ISO is granted) of the Common Stock with respect to which ISOs are exercisable for the first time by an Employee during any calendar year (counting ISOs under this Plan and under any other stock option plan of the Company or a Related Corporation) shall not exceed $100,000. If an Option intended as an ISO is granted to an Employee and the Option may not be treated in whole or in part as an ISO pursuant to the $100,000 limitation, the Option shall be treated as an ISO to the extent it may be so treated under the limitation and as an NQSO as to the remainder. For purposes of determining whether an ISO would cause the limitation to be exceeded, ISOs shall be taken into account in the order granted.

(f) **Termination of Service for a Reason Other Than Death or Disability**. If a Grantee's Termination of Service occurs prior to the expiration date fixed for his or her Option for any reason other than death or disability, such Option may be exercised, to the extent of the number of shares with respect to which the Grantee could have exercised it on the date of such Termination of Service, or to any greater extent permitted by the Administrator, by the Grantee at any time prior to the earlier of (i) the expiration date specified in the Award Agreement, or (ii) thirty days after the date of such Termination of Service (unless the Award Agreement provides a different expiration date in the case of such a Termination).

(g) **Disability**. If a Grantee becomes disabled (within the meaning of section 22(e)(3) of the Code) prior to the expiration date fixed for his or her Option, and the Grantee's Termination of Service occurs as a consequence of such disability, such Option may be exercised, to the extent of the number of shares with respect to which the Grantee could have exercised it on the date of such Termination of Service, or to any greater extent permitted by the Administrator, by the Grantee at any time prior to the earlier of (i) the expiration date specified in the Award Agreement, or (ii) six months after the date of such Termination of Service (unless the Award Agreement provides a different expiration date in the case of such a Termination). In the event of the Grantee's legal disability, such Option may be exercised by the Grantee's legal representative.

(h) **Death**. If a Grantee's Termination of Service occurs as a result of death, prior to the expiration date fixed for his or her Option, or if the Grantee dies following his or her Termination of Service but prior to the expiration of the period determined under subsections (f) or (g) above (including any extension of such period provided in the Award Agreement), such Option may be exercised, to the extent of the number of shares with respect to which the Grantee could have exercised it on the date of his or her death, or to any greater extent permitted by the Administrator, by the Grantee's estate, personal representative, or beneficiary who acquired the right to exercise such Option by bequest or inheritance or by reason of the death of the Grantee. Such post-death exercise may occur at any time prior to the earlier of (i) the expiration date specified in the Award Agreement, or (ii) six months after the date of the Grantee's death (unless the Award Agreement provides a different expiration date in the case of death).

(i) **More-Than-Ten-Percent Shareholder**. If, after applying the attribution rules of section 424(d) of the Code, the Grantee owns more than 10 percent of the total combined voting power of all shares of stock of the Company or of a Related Corporation at the time an ISO is granted to him, the option price for the ISO shall be not less than 110 percent of the Fair Market Value of the optioned shares of Common Stock on the date the ISO is granted, and such ISO, by its terms, shall not be exercisable after the expiration of five years from the date the ISO is granted. The conditions set forth in this subsection shall not apply to NQSOs.

SECTION 7 - - FORMULA NQSOs FOR NONEMPLOYEE DIRECTORS

(a) **Granting of Formula NQSOs to Non-Employee Directors**.

(1) **Initial Grant**. An NQSO to purchase 20,000 shares of Common Stock (as adjusted pursuant to Section 12) automatically shall be granted to a Non-Employee Director on the date he or she becomes a Non-Employee Director (whether by reason of his or her election by shareholders, appointment by the Board or expiration of the 12-month period specified in Section 1(b)(15)(B)) if:

(A) The Non-Employee Director was not a Non-Employee Director prior to the Company's 2004 annual shareholders' meeting; and

(B) the Non-Employee Director did not previously receive an initial NQSO grant under Section 8(a) of the Urban Outfitters 2000 Stock Incentive Plan, Section 5(a) of the Urban Outfitters, Inc. 1993 Non-Employee Directors' Non-Qualified Stock Option Plan, Section 7(a)(1) of the Urban Outfitters, Inc. 1997 Stock Option Plan or Section 7(a)(1) of this Plan.

(2) **Subsequent Grants.** On the first business day immediately following each of the dates on which an incumbent Non-Employee Director is elected or reelected to the Board by shareholders subsequent to the Company's 2003 annual shareholders' meeting, he or she shall automatically be granted an NQSO to purchase 20,000 shares of Common Stock (as adjusted pursuant to Section 12), except that in the case of the first election or reelection following the date of the Non-Employee Director's initial election or appointment to the Board, no grant shall be made on account of such first election or reelection unless at least six months have elapsed since such initial election or appointment. The grant under this Section 7(a)(2) shall be in addition to the initial grant pursuant to any plan listed in Section 7(a)(1)(B).

(b) **Terms and Conditions of Formula Options**. Formula Options granted to Non-Employee Directors under this Section 7 shall expressly specify that they are NQSOs. In addition, such NQSOs shall include expressly or by reference the following terms and conditions, as well as such other provisions not inconsistent with the provisions of the Plan:

(1) **Number of Shares.** A statement of the number of shares of Common Stock to which the NQSO pertains.

(2) **Price.** A statement of the NQSO exercise price, which shall be the higher of one hundred percent (100%) of the Fair Market Value per share of the Common Stock, or the par value thereof, on the date the NQSO is granted.

(3) **Term.** Subject to earlier termination as provided in Section 7(b)(5) and Section 14 below, the term of each NQSO granted under this Section 7 shall be ten years from the date of grant.

(4) **Exercise.** An NQSO granted under this Section 7 shall be exercisable on the business day immediately preceding the annual meeting of shareholders next succeeding the date of grant of such NQSO. Except as otherwise provided in Section 7(b)(5), below, NQSOs shall only be exercisable by a Non-Employee Director while he or she remains a director of the Company. Any NQSO shares, the right to the purchase of which has accrued, may be purchased at any time up to the expiration or termination of the NQSO. Any exercisable NQSO may be exercised, in whole or in part, from time to time by giving written notice of exercise to the Company at its principal office, specifying the number of shares to be purchased and, except as provided in Section 6(d)(3), accompanied by payment in full of the aggregate price for such shares. Only full shares shall be issued, and any fractional shares which might otherwise be issuable upon exercise of an NQSO granted hereunder shall be forfeited.

The NQSO exercise price shall be payable in any of the methods set forth in Section 6(d)(1) through (4).

(5) **Termination of Services as a Director.** If a Non-Employee Director’s Termination of Service occurs prior to the expiration date fixed for his or her NQSO under this Section 7 for any reason (such as, without limitation, disability, death or failure to be reelected by the Company’s shareholders), such NQSO may be exercised, to the extent of the number of shares of Common Stock with respect to which he or she could have exercised it on the date of such Termination of Service, by the Non-Employee Director at any time prior to the earlier of:

(A) The expiration date of such NQSO; or

(B) One year after the date of such Termination of Service.

If a Non-Employee Director whose Termination of Service occurs for any reason other than death shall die following his or her Termination of Service, but prior to the earlier of (A) or (B) above, such NQSO may be exercised, to the extent of the number of shares of Common Stock with respect to which he or she could have exercised it on the date of his or her death at any time prior to the earlier of:

(C) The expiration date fixed for his or her NQSO; or

(D) One year after the date of death.

In the event of the Non-Employee Director’s legal disability, such NQSO may be so exercised by his or her legal representative. In the event of the Non-Employee

Director’s death, such NQSO may be so exercised by the Non-Employee Director’s estate, personal representative or beneficiary who acquired the right to exercise such NQSO by bequest or inheritance or by reason of the death of the Non-Employee Director.

SECTION 8 - SARS

(a) **Nature of SARs.** An SAR entitles the Grantee to receive, with respect to each share of Common Stock as to which the SAR is exercised, the excess of the share’s Fair Market Value on the date of exercise over its Fair Market Value on the date the SAR was granted. Such excess shall be paid in cash, shares of Common Stock, or a combination thereof, as determined by the Administrator.

(b) **Grant of SARs.** SARs may be granted in tandem with, or independently of, Options granted under the Plan. An SAR granted in tandem with an Option that is not an ISO may be granted either at or after the time the Option is granted. An SAR granted in tandem with an ISO may be granted only at the time the Option is granted.

(c) **Rules Applicable to Tandem Awards.** When SARs are granted in tandem with Options, the number of SARs granted to a Grantee that shall be exercisable during a specified period shall not exceed the number of shares of Common Stock that the Grantee may purchase upon the exercise of the related Option during such period. Upon the exercise of an Option, the SAR relating to the shares of Common Stock covered by such Option will terminate. Upon the exercise of an SAR, the related Option will terminate to the extent of an equal number of shares of Common Stock. The SAR will be exercisable only at such time or times, and to the extent, that the related Option is exercisable and will be exercisable in accordance with the procedure required for exercise of the related Option. The SAR will be transferable only when the related Option is transferable, and under the same conditions. An SAR granted in tandem with an ISO may be exercised only when the Fair Market Value of the shares of Common Stock subject to the Option exceeds the exercise price of such Option.

(d) **Exercise of Independent SARs.** An SAR not granted in tandem with an Option shall become exercisable at such time or times, and on such conditions, as the Administrator may specify in the Award Agreement. The Administrator may at any time accelerate the time at which all or any part of the SAR may be exercised. Any exercise of an independent SAR must be in writing, signed by the proper person, and delivered or mailed to the Company, accompanied by any other documents required by the Administrator.

(e) **Termination of Service.** If a Grantee’s Termination of Service occurs prior to the expiration date fixed for his or her SAR, Section 6(f), (g) and (h) shall be applied to determine the extent to which and the period during which the SAR may be exercised. For purposes of this Section 8(e), the term “SAR” shall replace the term “Option” in each place such term appears in Section 6(f), (g) and (h).

SECTION 9 - RESTRICTED STOCK

(a) **General Requirements.** Restricted Stock may be issued or transferred for consideration or for no consideration, as determined by the Administrator. If for consideration, payment may be in cash or check (acceptable to the Administrator), bank draft, or money order payable to the order of the Company.

(b) **Rights as a Stockholder.** Unless the Administrator determines otherwise, a Grantee who receives Restricted Stock shall have certain rights of a stockholder with respect to the Restricted Stock, including voting and dividend rights, subject to the restrictions described in subsection (c) below and any other conditions imposed by the Administrator at the time of grant. Unless the Administrator determines otherwise, certificates evidencing shares of Restricted Stock will remain in the possession of the Company until such shares are free of all restrictions under the Plan and the Grantee has satisfied any federal, state and local tax withholding obligations applicable to such shares.

(c) **Restrictions.** Except as otherwise specifically provided by the Plan, Restricted Stock may not be sold, assigned, transferred, pledged, or otherwise encumbered or disposed of, and if the Grantee incurs a Termination of Service for any reason, must be offered to the Company for purchase for the amount paid for the shares of Common Stock, or forfeited to the Company if nothing was so paid. These restrictions will lapse at such time or times, and on such conditions, as the Administrator may specify in the Award Agreement. Upon the lapse of all restrictions, shares of Common Stock will cease to be Restricted Stock for purposes of the Plan. The Administrator may at any time accelerate the time at which the restrictions on all or any part of the shares of Restricted Stock will lapse.

(d) **Notice of Tax Election.** Any Grantee making an election under section 83(b) of the Code for the immediate recognition of income attributable to the award of Restricted Stock must provide a copy thereof to the Company within 10 days of the filing of such election with the Internal Revenue Service.

SECTION 10 - RSUs

(a) **Nature of RSUs.** An RSU entitles the Grantee to receive, subject to the restrictions and vesting rules determined by the Administrator, one share of Common Stock with respect to each RSU granted; any fractional RSU shall be payable in cash. During the applicable restriction period, the Company shall establish a bookkeeping account in the Grantee’s name which reflects the number of RSUs standing to the credit of the Grantee. The Company shall credit to the Grantee’s bookkeeping account, on each date that the Company pays a cash dividend to holders of Common Stock generally, an additional number of RSUs equal to the total number of RSUs credited to the Grantee’s bookkeeping account on such date, multiplied by the dollar amount of the per share cash dividend, and divided by the Fair Market Value of a share of Common Stock on such date. RSUs attributable to such dividend equivalent rights shall be subject to the same terms and conditions as the RSUs to which such dividend equivalent rights relate.

(b) **<u>Grant of RSUs</u>.** The Administrator shall determine:

(1) The number of RSUs subject to the Award;

(2) The purchase price (if any) to be paid for each RSU;

(3) When such RSUs shall vest (i.e., the end of the restriction period); and

(4) Any conditions (such as continued employment or performance measures) that must be met in order for such RSUs to vest at the end of the applicable restriction period.

The Administrator may at any time accelerate the time at which RSUs shall vest.

SECTION 11 - AWARD AGREEMENTS — OTHER PROVISIONS

Awards granted under the Plan shall be evidenced by Award Agreements in such form as the Administrator shall from time to time approve, and containing such provisions not inconsistent with the provisions of the Plan (and, for ISOs, not inconsistent with section 422(b) of the Code), as the Administrator shall deem advisable. The Award Agreements shall specify the type of Award granted. Each Grantee shall enter into, and be bound by, an Award Agreement as soon as practicable after the grant of an Award.

SECTION 12 - ADJUSTMENT IN CASE OF CHANGES IN COMMON STOCK

The following shall be adjusted, as may be deemed appropriate by the Committee, to reflect any stock dividend, stock split, spin-off, share combination, or similar change in the capitalization of the Company:

(a) The maximum number and type of shares under the limits set forth in Section 4 (regarding shares available under the Plan, shares subject to grants to Employees in any calendar year and shares available for Restricted Stock and RSUs);

(b) The number and type of shares subject to a formula NQSO to be granted to a Non-Employee Director under Section 7; and/or

(c) The number and type of shares issuable upon exercise or vesting of outstanding Awards under the Plan (as well as the option price per share under such outstanding Awards); provided, however, that no such adjustment shall be made to an outstanding ISO if such adjustment would constitute a modification under section 424(h) of the Code, unless the Grantee consents to such adjustment.

In the event any such change in capitalization cannot be reflected in a straight mathematical adjustment of the number of shares issuable upon the exercise or vesting of outstanding Awards (and a straight mathematical adjustment of the exercise price thereof), the Committee shall make such adjustments as are appropriate to reflect most nearly such straight mathematical adjustment. Such adjustments shall be made only as necessary to maintain the proportionate interest of Grantees, and preserve, without exceeding, the value of Awards. Any adjustments authorized by the Committee under Section 12(b) shall be subject to approval by the Board.

SECTION 13 - CHANGE IN CONTROL

(a) **Full Vesting.** Notwithstanding any other provision of this Plan, all outstanding Awards shall become fully vested and exercisable upon a Change in Control; provided, however, that this Section 13 shall not increase the extent to which an Award is vested or exercisable if the Grantee's Termination of Service occurs prior to the Change in Control.

(b) **Definitions.**

(1) For purposes of this Plan, a "Change in Control" with respect to the Company shall mean any of the following events:

(A) a merger or consolidation of the Company with any other corporation, other than a merger or consolidation resulting in the voting power of the securities (as described in clause (D) below) of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting stock of the surviving entity) more than a majority of the combined voting power of the securities of the Company (or such surviving entity) outstanding immediately after such merger of consolidation;

(B) any sale, lease, exchange, or other transfer (in one transaction or in a series of related transactions) of all, or substantially all, of the assets of the Company;

(C) the dissolution and liquidation of the Company; or

(D) any person or "group" (other than a benefit plan sponsored by either the Company or a subsidiary of the Company and other than Richard A. Hayne or his estate, personal representative or the beneficiaries under his will), becoming after February 24, 2004 the "beneficial owner," directly or indirectly, of securities representing a majority of the combined voting power of the then outstanding securities of the Company ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors (calculated as provided in paragraph (d) of Rule 13d-3 in the case of rights to acquire such securities).

(2) For purposes hereof, the terms "group" and "beneficial owner" shall have the meanings given to them in Rule 13d-3; and Rule 13d-3 shall mean Rule 13d-3 of the Securities and Exchange Commission promulgated under the Exchange Act.

SECTION 14 - CERTAIN CORPORATE TRANSACTIONS

In the event of a corporate transaction (such as, for example, a merger, consolidation, acquisition of property or stock, separation, reorganization, or liquidation), the surviving or successor corporation shall assume each outstanding Award or substitute a new award of the same type for each outstanding Award; provided, however, that, in the event of a proposed corporate transaction, the Committee may terminate all or a portion of the outstanding Awards, effective upon the closing of the corporate transaction, if it determines that such termination is in the best interests of the Company. If the Committee decides so to terminate outstanding Options and SARs, the Committee shall give each Grantee holding an Option or SAR to be terminated not fewer than seven days' notice prior to any such termination, and any Option or SAR which is to be so terminated may be exercised (if and only to the extent that it is then exercisable under the terms of the Award Agreement and Section 13) up to, and including the date immediately preceding such termination. Further, as provided in Sections 6(d), 8(d), 9(c) and 10(b) hereof, the Administrator, in its discretion, may accelerate, in whole or in part, the date on which any or all Awards become exercisable or vested (to the extent such Award is not fully exercisable or vested pursuant to the Award Agreement or Section 13).

The Committee also may, in its discretion, change the terms of any outstanding Award to reflect any such corporate transaction, provided that, in the case of ISOs, such change would not constitute a "modification" under section 424(h) of the Code, unless the Grantee consents to the change.

Notwithstanding the foregoing, in the event of a corporate transaction (as described above) in which holders of Common Stock are to receive cash, securities or other property, and provision is not made for the continuance and substitution or assumption of formula NQSOs granted to Non-Employee Directors under Section 7, all such outstanding NQSOs shall terminate as of the last business day immediately preceding the closing date of such corporate transaction and the Company shall pay to each Non-Employee Director an amount in cash with respect to each share to which a terminated NQSO pertains equal to the difference between the NQSO exercise price and the value of the consideration to be received by the holders of Common Stock in connection with such transaction.

SECTION 15 - AMENDMENT OF THE PLAN AND OUTSTANDING AWARDS

(a) **In General**. The Board, pursuant to resolution, may amend or suspend the Plan, and, except as provided below, the Administrator may amend an outstanding Award in any respect whatsoever; except that the following amendments shall require the approval of shareholders (given in the manner set forth in subsection (b) below) —

(1) a change in the class of employees eligible to participate in the Plan with respect to ISOs;

(2) except as permitted under Section 12 hereof, an increase in the maximum number of shares of Common Stock with respect to which ISOs may be granted under the Plan;

(3) an extension of the date, under Section 16 hereof, as of which no ISOs shall be granted hereunder;

(4) a modification of the material terms of the "performance goal," within the meaning of Treas. Reg. § 1.162-27(e)(4)(vi) or any successor thereto (to the extent compliance with section 162(m) of the Code is desired); and

(5) any amendment for which shareholder approval is required under the rules of the exchange or market on which the Common Stock is listed or traded.

If the Fair Market Value of Common Stock subject to an Option or SAR has declined since the Option or SAR was granted, the Committee, in its sole discretion, may reduce the exercise price of any (or all) such Option(s) or SAR(s), or cancel any (or all) such Option(s) or SAR(s) in exchange for cash or the grant of new Awards. Except as provided in Section 14, no amendment or suspension shall alter or impair any outstanding Awards or cause the modification (within the meaning of section 424(h) of the Code) of an ISO, without the consent of the Grantee affected thereby.

(b) **Manner of Shareholder Approval.** The approval of shareholders must comply with all applicable provisions of the corporate charter and bylaws of the Company, and applicable state law prescribing the method and degree of shareholder approval required for the issuance of corporate stock or options. If the applicable state law does not prescribe a method and degree of shareholder approval in such case, the approval of shareholders must be effected —

(1) by a method and in a degree that would be treated as adequate under applicable state law in the case of an action requiring shareholder approval (i.e., an action on which shareholders would be entitled to vote if the action were taken at a duly held shareholders' meeting); or

(2) by a majority of the votes cast at a duly held shareholders' meeting at which a quorum representing a majority of all outstanding voting stock is, either in person or by proxy, present and voting on the Plan.

(c) **Amendments Affecting Formula Awards to Non-Employee Directors.** Notwithstanding the foregoing, no amendment to any provision of the Plan that would affect NQSOs to be awarded to Non-Employee Directors under Section 7 shall be made if such amendment would cause the terms and conditions of grants made under Section 7 to fail to be fixed in advance, within the meaning of Securities and Exchange Commission interpretations under section 16(b) of the Exchange Act.

SECTION 16 - TERMINATION OF PLAN; CESSATION OF ISO GRANTS

The Board, pursuant to resolution, may terminate the Plan at any time and for any reason. No ISOs shall be granted hereunder after February 23, 2014, which date is within 10 years after the date the Plan was adopted by the Board, or the date the Plan was approved by the shareholders of the Company, whichever is earlier. Nothing contained in this Section, however, shall terminate or affect the continued existence of rights created under Awards granted hereunder, and outstanding on the date the Plan is terminated, which by their terms extend beyond such date.

SECTION 17 - SHAREHOLDER APPROVAL

This Plan shall become effective on February 24, 2004 (the date the Plan was adopted by the Board); provided, however, that if the Plan is not approved by the shareholders, in the manner described in Section 15(b) hereof, within 12 months before or after the date the Plan was adopted by the Board, the Plan and all Awards granted hereunder shall be null and void and no additional Awards shall be granted hereunder.

SECTION 18 - MISCELLANEOUS

(a) **Rights**. Neither the adoption of the Plan nor any action of the Board or the Administrator shall be deemed to give any individual any right to be granted an Award, or any other right hereunder, unless and until the Administrator shall have granted such individual an Award, and then his or her rights shall be only such as are provided in the Award Agreement. Notwithstanding any provisions of the Plan or the Award Agreement with an Employee, the Company and any Related Corporation shall have the right, in its discretion but subject to any employment contract entered into with the Employee, to retire the Employee at any time pursuant to its retirement rules or otherwise to terminate his or her employment at any time for any reason whatsoever, or for no reason. A Grantee shall have no rights as a shareholder with respect to any shares covered by his or her Award until the issuance of a stock certificate to him or her for such shares, except as otherwise provided under Section 9(b) (regarding Restricted Stock).

(b) **Indemnification of Board and Committee**. Without limiting any other rights of indemnification which they may have from the Company and any Related Corporation, the members of the Board and the members of the Committee shall be indemnified by the Company against all costs and expenses reasonably incurred by them in connection with any claim, action, suit, or proceeding to which they or any of them may be a party by reason of any action taken or failure to act under, or in connection with, the Plan, or any Award granted thereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit, or proceeding, except a judgment based upon a finding of willful misconduct or recklessness on their part. Upon the making or institution of any such claim, action, suit, or proceeding, the Board or Committee member shall notify the Company in writing, giving the Company an opportunity, at its own expense, to handle and defend the same before such Board or Committee member undertakes to handle it on his or her own behalf. The provisions of this Section shall not give members of the Board or the Committee greater rights than they would have under the Company's by-laws or Pennsylvania law.

(c) **Transferability; Registration.** No ISO, Restricted Stock or RSU shall be assignable or transferable by the Grantee other than by will or by the laws of descent and distribution. During the lifetime of the Grantee, an ISO shall be exercisable only by the Grantee or, in the event of the Grantee's legal disability, by the Grantee's guardian or legal representative.

Except as provided in a Grantee's Award Agreement, such limits on assignment, transfer and exercise shall also apply to discretionary NQSOs granted under Section 6 and SARs granted under Section 8.

A Non-Employee Director may transfer an NQSO granted under Section 7 for no consideration to (1) the Non-Employee Director's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, and sister-in-law, including adoptive relationships, and any person sharing the Non-Employee Director's household (other than a tenant or employee) ("Permitted Transferees"), (2) a trust in which one or more Permitted Transferees in the aggregate have more than 50% of the beneficial interest, (3) a foundation in which one or more Permitted Transferees (and the Non-Employee Director) in the aggregate control the management of assets, and (4) any other entity in which one or more Permitted Transferees (and the Non-Employee Director) in the aggregate own more than 50% of the voting interests. Except as provided in the preceding sentence, or by will or the laws of descent and distribution, formula NQSOs granted under Section 7 shall not be assignable or transferable by the Non-Employee Director, and during the lifetime of the Non-Employee Director, the NQSO shall be exercisable only by the Non-Employee Director or by his guardian or legal representative. Any formula NQSO transferred by a Non-Employee Director shall not be assignable or transferable by the transferee.

If the Grantee so requests at the time of exercise of an Option or an SAR, or at the time of grant of Restricted Stock or vesting of an RSU, the certificate(s) shall be registered in the name of the Grantee and the Grantee's spouse jointly, with right of survivorship.

(d) **Deferrals.** The Committee may permit or require Grantees to defer receipt of any Common Stock issuable upon exercise of an Option or the lapse of the restriction period applicable to Restricted Stock or RSUs, subject to such rules and procedures as it may establish, which may include provisions for the payment or crediting of interest, or dividend equivalents, including converting such credits into deferred Common Stock equivalents.

(e) **Listing and Registration of Shares**. Each Award shall be subject to the requirement that, if at any time the Committee shall determine, in its discretion, that the listing, registration, or qualification of the shares of Common Stock covered thereby upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Award or the purchase of shares of Common Stock thereunder, or that action by the Company, its shareholders, or the Grantee should be taken in order to obtain an exemption from any such requirement or to continue any such listing, registration, or qualification, no such Award may be exercised, in whole or in part, and no Restricted Stock or RSU may be awarded, unless and until such listing, registration, qualification, consent, approval, or action shall have been effected, obtained, or taken under conditions acceptable to the Committee. Without limiting the generality of the foregoing, each Grantee or his or her legal representative or beneficiary may also be required to give satisfactory assurance that such person is an eligible purchaser under applicable securities laws, and that the shares purchased or granted pursuant to the Award shall be for investment purposes and not with a view to distribution; certificates representing such shares may be legended accordingly.

(f) **<u>Withholding and Use of Shares to Satisfy Tax Obligations</u>**. The obligation of the Company to deliver shares of Common Stock upon the exercise of any Award or upon the vesting of Restricted Stock or RSU shall be subject to applicable federal, state, and local tax withholding requirements.

If the exercise of any Award or the vesting of Restricted Stock or RSU is subject to the withholding requirements of applicable federal, state or local tax law, the Administrator, in its (or his) discretion, may permit or require the Grantee to satisfy the federal, state and/or local withholding tax, in whole or in part, by electing to have the Company withhold shares of Common Stock (or by returning previously acquired shares of Common Stock to the Company); provided, however, that the Company may limit the number of shares withheld to satisfy the tax withholding requirements with respect to any Option to the extent necessary to avoid adverse accounting consequences. Shares of Common Stock shall be valued, for purposes of this subsection, at their Fair Market Value (determined as of the date the amount attributable to the exercise or vesting of the Award is includible in income by the Grantee under section 83 of the Code (the "Determination Date")).

The Committee shall adopt such withholding rules as it deems necessary to carry out the provisions of this subsection.

(g) **<u>Application of Funds</u>**. Any cash received in payment for shares pursuant to an Award shall be added to the general funds of the Company. Any Common Stock received in payment for shares shall become treasury stock.

(h) **<u>No Obligation to Exercise Award</u>**. The granting of an Award shall impose no obligation upon a Grantee to exercise such Award.

(i) **<u>Governing Law</u>**. The Plan shall be governed by the applicable Code provisions to the maximum extent possible. Otherwise, the laws of the Commonwealth of Pennsylvania (without reference to principles of conflicts of laws) shall govern the operation of, and the rights of Grantees under, the Plan, and Awards granted thereunder.

(j) **<u>Unfunded Plan</u>.** The Plan, insofar as it provides for Awards, shall be unfunded, and the Company shall not be required to segregate any assets that may at any time be represented by Awards under the Plan. Any liability of the Company to any person with respect to any Award under this Plan shall be based solely upon any contractual obligations that may be created pursuant to the Plan. No such obligation of the Company shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Company.

EXHIBIT 14.1

CODE OF CONDUCT AND ETHICS OF URBAN OUTFITTERS, INC.

Introduction

This Code of Conduct and Ethics of Urban Outfitters, Inc. and its subsidiaries ("Urban") provides an ethical and legal framework for business practices and conduct to which all Urban employees, officers and directors ("Urban Associates") must adhere.

1. Compliance with Laws, Rules and Regulations

Urban Associates shall obey the law and comply with the laws, rules and regulations of the municipalities, states and countries in which Urban operates.

More specifically, Urban Associates shall:

A. Comply With U.S. Securities Laws Prohibiting "Insider Trading"

Urban Associates who are in possession of material nonpublic information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of Urban's business. "Material nonpublic information" is a legal term also commonly referred to as "inside information." Material information is any information that an investor might consider important in deciding whether to buy, sell or hold securities, such as whether the information could reasonably be expected to affect the price of a stock. Examples of certain types of material information are:

- financial results, forecasts and other information;
- possible mergers, acquisitions, divestitures or joint ventures; and
- information concerning important product developments, major litigation developments and major changes in business direction.

Information is considered nonpublic unless it has been adequately disclosed to the public. Examples of effective disclosure include public filings with the Securities and Exchange Commission and the issuance of Urban press releases.

Urban Associates must not trade Urban securities on the basis of inside information and must be careful not to make this information available to others who might profit from it. Material inside information should only be disclosed to those who need to know it and should not be discussed in public places. In addition, Urban Associates must avoid recommending that someone buy or sell securities of Urban. This guidance also applies to securities of companies with which the Urban Associate knows Urban has a relationship, that is, a customer, supplier, vendor or other business associate. In addition to the above insider trading prohibitions, Urban Associates may never trade any options on Urban securities in the open market or maintain a short position in Urban securities.

If you have a question as to whether certain information is material or if it has been adequately disclosed to the public, you must contact the President and abstain from trading in Urban's securities or disclosing that information until you have been informed that the information is not material or has been appropriately disclosed.

Directors and executive officers also should be reminded that they have further restrictions on their ability to trade in Urban's securities, as further explained in the memorandum, *Summary of Reporting Obligations under Section 16 of the Securities Exchange Act of 1934*, in the supplementary memorandum attached thereto, *Compliance with the Securities Ownership Reporting and Short-Swing Profit Liability Provisions of Section 16 of the Securities Exchange Act of 1934*, and in the periodic memoranda on the applicable trading windows for Urban securities.

B. Comply with U.S. Securities Laws Concerning Disclosure Requirements

As a public company, it is of critical importance that the reports Urban files with, or submits to, the Securities and Exchange Commission be accurate and complete. Urban's officers, directors and management are responsible for ensuring that information disclosed to the public complies with applicable governmental rules and regulations and promotes the availability of full, fair, accurate, timely and understandable information in periodic reports. This group is charged with establishing and managing Urban's transaction and reporting systems and procedures to ensure that:

- business transactions are properly authorized and completely and accurately recorded on Urban's books and records in accordance with Generally Accepted Accounting Principles (GAAP) and established Urban financial policy and its system of internal controls;
- the retention or proper disposal of Urban's records are in accordance with Urban's established financial policies and applicable legal and regulatory requirements; and
- periodic financial communications and reports are delivered in a timely manner.

C. Comply With U.S. Laws Concerning Payments to Government Personnel

The U.S. Foreign Corrupt Practices Act prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates to obtain or retain business. Illegal payments to government officials of any country are strictly prohibited. In addition, the U.S. government has a number of laws and regulations regarding business gratuities that U.S. government personnel may accept. It is illegal to promise, offer or delivery to an official or employee of the U.S. government of a gift, favor or other gratuity.

D. Comply With U.S. Law Concerning Discrimination and Harassment

Urban Associates must never discriminate against another Urban Associate on the basis of race, color, sex, religion, sexual orientation, age, national origin, non-job related handicap(s) or any other unlawful basis.

E. Comply With Health and Safety

Urban strives to provide a safe and healthy work environment. Each employee has responsibility for maintaining a safe and healthy workplace for all employees by following safety and health rules and practices. Violence and threatening behavior are not permitted. Employees should report to work in a condition to perform their duties, free from the influence of illegal drugs or alcohol.

2. Conflicts of Interest

A "conflict of interest" exists when a person's private interest interferes in any way with the interests of Urban. A conflict situation can arise when an employee, officer or director takes actions or has interests that may make it difficult to perform his or her work objectively and effectively. Conflicts of interest may also arise when an employee, officer or director, or a member of his or her family, receives improper personal benefits as a result of his or her position in Urban.

It is almost always a conflict of interest for an Urban employee to work simultaneously for a competitor, customer, supplier or other business associate. Therefore, an Urban Associate is not allowed to work for, nor serve as a consultant or board member for a competitor, customer, supplier or other business associate, without approval of Urban's President. The best policy is to avoid any direct or indirect business connection with Urban's competitors, customers, suppliers or other business associates, except on Urban's behalf. Conflicts of interest are prohibited as a matter of Urban policy, except under guidelines approved by the Board of Directors. If an Urban Associate becomes aware of a conflict or potential conflict, it should be brought to the attention of a supervisor, manager or other appropriate personnel.

3. Corporate Opportunities

Urban Associates are prohibited from taking for themselves personally opportunities that are discovered through the use of corporate property, information or their position without the consent of the Board of Directors. You may not use corporate property, information or a relationship with Urban for improper personal gain and may not compete with Urban directly or indirectly.

4. Protection and Proper Use of Urban's Assets and Confidentiality of Information

Urban Associates should protect Urban's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on profitability. Any suspected incident of fraud or theft should be immediately reported for investigation. Urban equipment, property and supplies should not be used for non-Urban business, though incidental personal use may be permitted.

Urban Associates' obligation to protect Urban's assets includes protecting and maintaining its proprietary information. Proprietary information includes intellectual property such as trade secrets, trademarks and copyrights, as well as business, marketing and service plans, manufacturing ideas, designs, databases, records, salary information and any unpublished financial data and reports. Unauthorized use or distribution of proprietary information would violate Urban policy and could also be illegal and result in civil or even criminal penalties. Urban Associates also must maintain and protect the confidentiality of any confidential information furnished by Urban, its customers and suppliers, except when the President authorizes disclosure or when required by law. The obligation to preserve any confidential information continues even after employment ends.

5. Gifts and Business Courtesies

Urban Associates and their family members should never offer, give, provide or accept any gift or other business courtesy unless it: (1) is not a cash gift; (2) is consistent with customary business practices; (3) is not excessive in value; and (4) does not violate any laws or regulations. Urban Associates should discuss with their supervisor any gifts or proposed gifts that they are not certain are appropriate.

6. Violations of this Code of Conduct and Ethics

Employees are encouraged to talk to supervisors, managers or other appropriate personnel about observed illegal or unethical behavior in violation of this Code or whenever in doubt about the best course of action in a particular situation. Officers and directors should consult the Audit Committee of the Board of Directors or the President about any such concerns. Everyone is expected to cooperate in internal investigations of misconduct. Urban will not retaliate against anyone for good faith reports of misconduct and violations of this Code.

The Audit Committee of the Board of Directors is ultimately responsible for enforcing violations of this Code. Violations of this Code may result in disciplinary measures, including counseling, oral or written reprimands, warnings, probation or suspension without pay, demotions, reductions in salary, termination of employment and restitution.

7. Reporting Procedures for Accounting and Auditing Matters

Urban is committed to achieving compliance with all applicable securities laws and regulations, accounting standards, accounting controls and audit practices. To facilitate the reporting of complaints and concerns pursuant to Section 301 of the Sarbanes-Oxley Act of 2002, the Audit Committee of the Board of Directors has established the following procedures for: (1) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters (“Accounting Matters”); and (2) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. Any person with concerns regarding any Accounting Matter may report their good faith concerns without fear of retaliation.

<u>Scope of Matters Covered by These Procedures</u>

These procedures relate to all reports concerning any questionable accounting or auditing matters, including, without limitation, the following:

- fraud or deliberate errors in the preparation, evaluation, review or audit of any financial statement;
- fraud or deliberate errors in the recording and maintenance of financial records;
- deficiencies in or noncompliance with Urban’s internal accounting controls;
- misrepresentations or false statements regarding a matter contained in Urban’s financial records, financial reports or audit reports; or
- deviations from full and fair reporting of Urban’s financial condition.

Procedures for and Treatment of Complaints

- Employees may make complaints on a confidential or anonymous basis to the President. Complaints may be made through: e-mail (accountingcomplaints@urbanout.com); or the mail (send complaints to: c/o the President, Urban Outfitters, Inc., 1809 Walnut Street, Philadelphia, PA 19103).
- Upon receipt of a complaint, the President will: (i) determine whether the complaint actually relates to an Accounting Matter; and (ii) when possible, acknowledge receipt of the complaint to the sender.
- The President (or such other persons the Audit Committee designates) will review the complaints submitted under the Audit Committee's direction and oversight. Confidentiality will be maintained to the fullest extent possible, consistent with the need to conduct an adequate review.
- The President will maintain a log of all complaints, tracking their receipt, investigation and resolution and will prepare a periodic summary report thereof for the Audit Committee.
- Prompt and appropriate corrective action will be taken when and as warranted in the judgment of the Audit Committee.
- Urban will not discharge, demote, suspend, threaten, harass or in any manner discriminate against any employee in the terms and conditions of employment based upon any lawful actions of such employee with respect to good faith reporting of complaints regarding Accounting Matters or otherwise as specified in Section 806 of the Sarbanes-Oxley Act of 2002.
- Copies of complaints and the President's log will be maintained for seven (7) years.

8. Waivers of the Code of Business Conduct and Ethics

Any waiver of this Code for executive officers and directors may be made only by the Board of Directors and will be promptly disclosed as required by law.

Urban Outfitters, Inc. & Subsidiaries

Entity

Urban Outfitters, Inc.
A Pennsylvania C corporation
Anthropologie, Inc.
A Pennsylvania C corporation
Urban Outfitters Wholesale, Inc.
A Pennsylvania C corporation
Urban Outfitters UK Limited
A United Kingdom corporation
Urban Outfitters (Delaware), Inc.
A Delaware C corporation
Anthropologie (Delaware), Inc.
A Delaware C corporation
Urban Outfitters West LLC
A California limited liability company
Urban Outfitters Direct LLC
A Pennsylvania single member limited liability company
Anthropologie Direct LLC
A Pennsylvania single member limited liability company
Inter-Urban, Inc.
A Delaware corporation
U.O.D., Inc.
A Delaware corporation
U.O.D. Secondary, Inc.
A Delaware corporation
UO Fenwick, Inc.
A Delaware corporation
Urban Outfitters Canada, Inc.
A Canadian corporation
Urban Outfitters Ireland Limited
An Irish corporation
Free People LLC
A Delaware single member limited liability company
UOGC, Inc.,
A Florida corporation

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

To the Board of Directors
Urban Outfitters, Inc.:

We consent to the incorporation by reference in the registration statement on Form S-3 (No. 333-84284), as amended, and the registration statements on Form S-8 (Nos. 33-75522, 333-33603, 333-84333 and 333-38648) of Urban Outfitters, Inc. of our reports dated March 12, 2004, with respect to the consolidated balance sheets of Urban Outfitters, Inc. and subsidiaries as of January 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, and the related financial statement schedule, which reports appear in the January 31, 2004 annual report on Form 10-K of Urban Outfitters, Inc.

Our report refers to our audit of the adjustments that were applied to restate the January 31, 2002 consolidated financial statements, as more fully described in Note 2 to the consolidated financial statements. However, we were not engaged to audit, review, or apply any procedures to the January 31, 2002 consolidated financial statements other than with respect to such adjustments.

/s/ KPMG LLP

Philadelphia, Pennsylvania
April 15, 2004

EXHIBIT 23.2

STATEMENT REGARDING CONSENT OF ARTHUR ANDERSEN LLP

Section 11(a) of the Securities Act of 1933, as amended (the “Securities Act”), provides that if part of a registration statement at the time it becomes effective contains an untrue statement of a material fact, or omits a material fact required to be stated therein or necessary to make the statements therein not misleading, any person acquiring a security pursuant to such registration statement (unless it is proved that at the time of such acquisition such person knew of such untruth or omission) may assert a claim against, among others, an accountant who has consented to be named as having certified any part of the registration statement or as having prepared any report for use in connection with the registration statement.

On June 19, 2002, Urban Outfitters, Inc. (the “Company”) dismissed Arthur Andersen LLP as its independent public accountants and on July 23, 2002, engaged KPMG LLP to serve as its independent public accountants for the year ended January 31, 2003. In 2002, Arthur Andersen ceased practicing before the Securities and Exchange Commission (the “Commission”). As a result, the Company has been unable to obtain Arthur Andersen’s written consent to the incorporation by reference into registration statements filed with the Commission by the Company of their audit report with respect to the Company’s consolidated financial statements for the year ended January 31, 2002, which included in the Company’s Annual Report on Form 10-K for the year ended January 31, 2004.

The absence of such consent may limit recovery by investors on certain claims. In particular, and without limitation, investors may not be able to assert claims against Arthur Anderson under Section 11(a) of the Securities Act for any untrue statements of a material fact contained in the financial statements audited by Arthur Andersen or any omissions of a material fact required to be stated therein. Accordingly, investors would be unable to assert a claim against Arthur Andersen under Section 11(a) of the Securities Act because it has not consented to the incorporation by reference of its previously issued reports into registration statements filed with the Commission by the Company.

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard A. Hayne, certify that:

1. I have reviewed this annual report on Form 10-K of Urban Outfitters, Inc.;

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)) 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) 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

   c) 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 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: April 15, 2004

By: /s/ RICHARD A. HAYNE

Richard A. Hayne
President (Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John Kyees, certify that:

1. I have reviewed this annual report on Form 10-K of Urban Outfitters, Inc.;
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)) 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) 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
   c) 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 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: April 15, 2004

By: /s/ JOHN KYEES

John Kyees
Chief Financial Officer

Certification Pursuant to 18 U.S.C. Section 1350, as Adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Richard A. Hayne, President of Urban Outfitters, Inc. (the "Company"), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that (1) the Form 10-K of the Company for the year ended January 31, 2004 (the "Form 10-K"), fully complies with requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and (2) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 15, 2004

By: /s/ RICHARD A. HAYNE

Richard A. Hayne
President (Principal Executive Officer)

EXHIBIT 32.2

Certification Pursuant to 18 U.S.C. Section 1350, as Adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, John Kyees, Chief Financial Officer of Urban Outfitters, Inc. (the “Company”), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that (1) the Form 10-K of the Company for the year ended January 31, 2004 (the “Form 10-K”), fully complies with requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and (2) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 15, 2004

By: /s/ JOHN KYEES

John Kyees
Chief Financial Officer