

ABERCROMBIE & FITCH CO /DE/

Form 10-Q

June 09, 2009

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

**FORM 10-Q**

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

**For the quarterly period ended May 2, 2009**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_.**

**Commission File Number: 1-12107**

**ABERCROMBIE & FITCH CO.**

(Exact name of Registrant as specified in its charter)

Delaware

31-1469076

(State or other jurisdiction of  
incorporation or organization)

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

6301 Fitch Path, New Albany, OH

43054

(Address of principal executive offices)

(Zip Code)

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

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).  Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

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Class A Common Stock

Outstanding at June 4, 2009

\$.01 Par Value

87,877,103 Shares

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ABERCROMBIE & FITCH CO.  
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**Table of Contents**PART I. FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS

ABERCROMBIE & FITCH CO.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
AND COMPREHENSIVE (LOSS) INCOME  
(Thousands, except per share amounts)  
(Unaudited)

	Thirteen Weeks Ended	
	May 2, 2009	May 3, 2008
NET SALES	\$ 612,136	\$ 800,178
Cost of Goods Sold	224,452	266,012
GROSS PROFIT	387,684	534,166
Stores and Distribution Expense	389,599	341,788
Marketing, General and Administrative Expense	92,537	104,698
Other Operating Income, Net	(1,335)	(2,941)
OPERATING (LOSS) INCOME	(93,117)	90,621
Interest Income, Net	(1,374)	(7,646)
(LOSS) INCOME BEFORE TAXES	(91,743)	98,267
Tax (Benefit) Expense	(32,503)	36,151
NET (LOSS) INCOME	\$ (59,240)	\$ 62,116
NET (LOSS) INCOME PER SHARE:		
BASIC	\$ (0.68)	\$ 0.72
DILUTED	\$ (0.68)	\$ 0.69
WEIGHTED-AVERAGE SHARES OUTSTANDING:		
BASIC	87,697	86,335
DILUTED	87,697	90,138
DIVIDENDS DECLARED PER SHARE	\$ 0.175	\$ 0.175

OTHER COMPREHENSIVE LOSS

Foreign Currency Translation Adjustments	\$ 188	\$ (144)
Unrealized Loss on Marketable Securities, net of taxes of \$477 and \$116 for the thirteen-week periods ended May 2, 2009 and May 3, 2008, respectively	(810)	(18,988)
Unrealized loss on derivative financial instruments, net of taxes of \$758 and \$23 for the thirteen-week periods ended May 2, 2009 and May 3, 2008, respectively	(1,290)	(35)
Other Comprehensive Loss	(1,912)	(19,167)
COMPREHENSIVE (LOSS) INCOME	\$ (61,152)	\$ 42,949

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

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ABERCROMBIE & FITCH CO.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Thousands)  
(Unaudited)

	May 2, 2009	January 31, 2009
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and Equivalents	\$ 463,716	\$ 522,122
Receivables	54,679	53,110
Inventories	274,742	372,422
Deferred Income Taxes	66,773	43,408
Other Current Assets	95,278	93,763
<b>TOTAL CURRENT ASSETS</b>	<b>955,188</b>	<b>1,084,825</b>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>1,346,073</b>	<b>1,398,655</b>
<b>MARKETABLE SECURITIES</b>	<b>212,364</b>	<b>229,081</b>
<b>OTHER ASSETS</b>	<b>137,661</b>	<b>135,620</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,651,286</b>	<b>\$ 2,848,181</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 56,628	\$ 92,814
Outstanding Checks	48,718	56,939
Accrued Expenses	194,454	241,231
Deferred Lease Credits	42,127	42,358
Income Taxes Payable	23	16,455
<b>TOTAL CURRENT LIABILITIES</b>	<b>341,950</b>	<b>449,797</b>
<b>LONG-TERM LIABILITIES:</b>		
Deferred Income Taxes	27,591	34,085
Deferred Lease Credits	207,235	211,978
Debt	100,000	100,000
Other Liabilities	203,104	206,743
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>537,930</b>	<b>552,806</b>

SHAREHOLDERS EQUITY:

Class A Common Stock \$0.01 par value: 150,000 shares authorized and 103,300 shares issued at each of May 2, 2009 and January 31, 2009	1,033	1,033
Paid-In Capital	318,641	328,488
Retained Earnings	2,170,358	2,244,936
Accumulated Other Comprehensive Loss, net of tax	(24,593)	(22,681)
Treasury Stock, at Average Cost - 15,456 and 15,664 shares at May 2, 2009 and January 31, 2009, respectively	(694,033)	(706,198)
TOTAL SHAREHOLDERS EQUITY	1,771,406	1,845,578
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 2,651,286	\$ 2,848,181

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

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ABERCROMBIE & FITCH CO.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Thousands)  
(Unaudited)

	Thirteen Weeks Ended	
	May 2, 2009	May 3, 2008
<b>OPERATING ACTIVITIES:</b>		
Net (Loss) Income	\$ (59,240)	\$ 62,116
Impact of Other Operating Activities on Cash Flows:		
Depreciation and Amortization	59,676	52,749
Non-Cash Charge for Asset Impairment	50,731	
Amortization of Deferred Lease Credits	(10,689)	(10,137)
Share-Based Compensation	9,008	10,683
Tax (Deficiency) Benefit from Share-Based Compensation	(4,610)	12,082
Excess Tax Benefit from Share-Based Compensation		(5,741)
Deferred Taxes	(29,363)	(1,344)
Loss on Disposal of Assets	3,222	176
Lessor Construction Allowances	7,499	11,454
Changes in Assets and Liabilities:		
Inventories	97,856	(14,536)
Accounts Payable and Accrued Expenses	(85,833)	(63,420)
Income Taxes	(16,464)	(65,990)
Other Assets and Liabilities	(8,790)	(5,267)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>13,003</b>	<b>(17,175)</b>
<b>INVESTING ACTIVITIES:</b>		
Capital Expenditures	(58,748)	(91,176)
Purchase of Trust-Owned Life Insurance Policies	(3,263)	
Purchases of Marketable Securities		(49,411)
Proceeds from Sales of Marketable Securities	14,600	242,955
<b>NET CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES</b>	<b>(47,411)</b>	<b>102,368</b>
<b>FINANCING ACTIVITIES:</b>		
Proceeds from Share-Based Compensation	41	32,706
Excess Tax Benefit from Share-Based Compensation		5,741
Purchase of Treasury Stock		(50,000)
Change in Outstanding Checks and Other	(9,122)	9,375
Dividends Paid	(15,338)	(14,847)
<b>NET CASH USED FOR FINANCING ACTIVITIES</b>	<b>(24,419)</b>	<b>(17,025)</b>
<b>EFFECT OF EXCHANGE RATES ON CASH</b>	<b>421</b>	<b>1,005</b>

NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS:	(58,406)	69,173
Cash and Equivalents, Beginning of Period	522,122	118,044
CASH AND EQUIVALENTS, END OF PERIOD	\$ 463,716	\$ 187,217
SIGNIFICANT NON-CASH INVESTING ACTIVITIES:		
Change in Accrual for Construction in Progress	\$ (1,401)	\$ (17,124)

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

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ABERCROMBIE & FITCH CO.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

Abercrombie & Fitch Co. ( A&F ), through its wholly-owned subsidiaries (collectively, A&F and its wholly-owned subsidiaries are referred to as the Company ), is a specialty retailer of high-quality, casual apparel for men, women and kids with an active, youthful lifestyle.

The accompanying condensed consolidated financial statements include the historical financial statements of, and transactions applicable to, the Company and reflect the assets, liabilities, results of operations and cash flows.

The Company's fiscal year ends on the Saturday closest to January 31. Fiscal years are designated in the condensed consolidated financial statements and notes by the calendar year in which the fiscal year commences. All references herein to Fiscal 2009 represent the 52-week fiscal year that will end on January 30, 2010, and to Fiscal 2008 represent the 52-week fiscal year that ended January 31, 2009.

In accordance with Statement of Financial Accounting Standards ( SFAS ) No. 131, *Disclosures about Segments of an Enterprise and Related Information* ( SFAS No. 131 ), the Company determines its operating segments on the same basis that it uses to evaluate performance internally. The operating segments identified by the Company are Abercrombie & Fitch, abercrombie, Hollister, RUEHL and Gilly Hicks. The operating segments have been aggregated and are reported as one reportable segment because they have similar economic characteristics and meet the aggregation criteria set forth in paragraph 17 of SFAS No. 131. The Company believes its operating segments may be aggregated for financial reporting purposes because they are similar in each of the following areas: class of consumer, economic characteristics, nature of products, nature of production processes and distribution methods. Revenues relating to the Company's international operations for the thirteen weeks ended May 2, 2009 and May 3, 2008 and long-lived assets relating to the Company's international operations as of May 2, 2009 and January 31, 2009 were not material and were not reported separately from domestic revenues and long-lived assets.

The condensed consolidated financial statements as of May 2, 2009 and for the thirteen week periods ended May 2, 2009 and May 3, 2008 are unaudited and are presented pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ). Accordingly, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in A&F's Annual Report on Form 10-K for Fiscal 2008 filed on March 27, 2009. The year-end condensed consolidated balance sheet data were derived from audited consolidated financial statements, but do not include all disclosures required by accounting principles generally accepted in the United States of America.

In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments (which are of a normal recurring nature) necessary to present fairly the financial position and results of operations and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for Fiscal 2009.

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The condensed consolidated financial statements as of May 2, 2009 and for the thirteen week periods ended May 2, 2009 and May 3, 2008 included herein have been reviewed by PricewaterhouseCoopers LLP, an independent registered public accounting firm, and the report of such firm follows the notes to the condensed consolidated financial statements.

PricewaterhouseCoopers LLP is not subject to the liability provisions of Section 11 of the Securities Act of 1933 (the Act ) for their report on the condensed consolidated financial statements because their report is not a report or a part of a registration statement prepared or certified by PricewaterhouseCoopers LLP within the meaning of Sections 7 and 11 of the Act.

**2. SHARE-BASED COMPENSATION**

The Company accounts for share-based compensation under the provisions of SFAS No. 123 (revised 2004), *Share-Based Payment* ( SFAS No. 123(R) ).

*Financial Statement Impact*

The Company recognized share-based compensation expense of \$9.0 million and \$10.7 million for the thirteen week periods ended May 2, 2009 and May 3, 2008, respectively. The Company also recognized \$3.4 million and \$3.9 million in tax benefits related to share-based compensation for the thirteen week periods ended May 2, 2009 and May 3, 2008, respectively.

A deferred tax asset is recorded on the compensation expense required to be accrued under SFAS No. 123(R). A current income tax deduction arises at the time the restricted stock unit vests or stock option/stock appreciation right is exercised. In the event the current income tax deduction is greater or less than the associated deferred tax asset, the difference is required under SFAS No. 123(R) to be charged first to the windfall tax benefit pool. In the event there is not a balance in the windfall tax benefit pool, the shortfall is charged to tax expense. The amount of the Company's windfall tax benefit pool, which is recorded as a component of additional paid in capital, was approximately \$87.2 million as of May 2, 2009. The windfall tax benefit pool is sufficient to fully absorb any shortfall which may develop related to currently outstanding awards.

The Company adjusts share-based compensation expense on a quarterly basis for actual forfeitures and for changes to the estimate of expected award forfeitures based on historical forfeiture experience. The effect of adjustments for forfeitures during the thirteen week periods ended May 2, 2009 and May 3, 2008 was immaterial.

A&F issues shares of Class A Common Stock ( Common Stock ) for stock option and stock appreciation right exercises and restricted stock unit vestings from treasury stock. As of May 2, 2009, A&F had enough treasury stock available to cover stock options, stock appreciation rights and restricted stock units outstanding without having to repurchase additional shares of Common Stock. Settlement of stock awards in Common Stock also requires that the Company has sufficient shares available in Shareholder approved plans at the applicable time.

**Table of Contents***Fair Value Estimates*

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

The weighted-average estimated fair value of stock options granted during the thirteen week periods ended May 2, 2009 and May 3, 2008, as well as the weighted-average assumptions used in calculating such value, on the date of grant, were as follows:

	Thirteen Weeks Ended	
	May 2, 2009	May 3, 2008
Exercise price	\$ 22.87	\$ 78.58
Fair value	\$ 8.26	\$ 19.73
Assumptions:		
Price volatility	50%	30%
Expected term (Years)	4.1	4.0
Risk-free interest rate	1.6%	2.5%
Dividend yield	1.7%	0.9%

The weighted-average estimated fair value of stock appreciation rights granted during the thirteen week period ended May 2, 2009, as well as the weighted-average assumptions used in calculating such value, on the date of grant, were as follows:

	Thirteen Weeks Ended		
	May 2, 2009		
	Chairman and Chief Executive Officer	Executive Officers (excluding Chairman and Chief Executive Officer)	Other Associates
Exercise price	\$ 25.94	\$ 25.77	\$ 25.67
Fair value	\$ 7.13	\$ 10.06	\$ 9.83
Assumptions:			
Price volatility	45%	52%	53%
Expected term (Years)	6.2	4.5	4.1
Risk-free interest rate	2.3%	1.6%	1.6%
Dividend yield	1.7%	1.7%	1.7%

There were no stock appreciation rights granted during the thirteen weeks ended May 3, 2008.

In the case of restricted stock units, the Company calculates the fair value of the restricted stock units granted as the market price of the underlying Common Stock on the date of grant adjusted for anticipated dividend payments during the vesting period.

**Table of Contents***Stock Option Activity*

Below is a summary of stock option activity for the thirteen weeks ended May 2, 2009:

	Number of	Weighted-Average	Aggregate	Weighted-Average
	Shares	Exercise	Intrinsic	Remaining
Stock Options		Price	Value	Contractual
				Life
Outstanding at January 31, 2009	6,675,990	\$ 41.70		
Granted	4,000	22.87		
Exercised	(6,000)	23.60		
Forfeited or cancelled	(93,047)	57.60		
Outstanding at May 2, 2009	6,580,943	\$ 41.46	\$ 725,801	1.2
Options expected to vest at May 2, 2009	437,858	\$ 64.42	\$ 476,084	8.3
Options exercisable at May 2, 2009	6,088,443	\$ 39.61	\$ 174,401	1.7

The total intrinsic value of stock options exercised during the thirteen weeks ended May 2, 2009 was immaterial. The total intrinsic value of stock options exercised during the thirteen weeks ended May 3, 2008 was \$29.9 million. The grant date fair value of stock options which vested during the thirteen weeks ended May 2, 2009 and May 3, 2008 was \$4.3 million and \$3.5 million, respectively.

As of May 2, 2009, there was \$8.2 million of total unrecognized compensation cost, net of estimated forfeitures, related to stock options. The unrecognized cost is expected to be recognized over a weighted-average period of 1.2 years.

*Stock Appreciation Rights Activity*

Below is a summary of stock appreciation rights activity for the thirteen weeks ended May 2, 2009:

	Number of	Weighted-Average	Aggregate	Weighted-Average
	Shares	Exercise Price	Intrinsic	Remaining
Stock Appreciation Rights			Value	Contractual
				Life
Outstanding at January 31, 2009	1,600,000	\$ 28.55		
Granted	1,964,000	25.85		
Exercised				
Forfeited or cancelled				
Outstanding at May 2, 2009	3,564,000	\$ 27.06	\$ 5,868,400	7.3

As of May 2, 2009, there was \$27.7 million of total unrecognized compensation cost, net of estimated forfeitures, related to stock appreciation rights. The unrecognized cost is expected to be recognized over a weighted-average period of 2.3 years.

**Table of Contents***Restricted Stock Unit and Restricted Share Activity*

Below is a summary of restricted stock unit and restricted share activity for the thirteen weeks ended May 2, 2009:

Restricted Stock Units /	Number of	Weighted-Average
Restricted Shares	Shares	Grant Date Fair
		Value
Non-vested at January 31, 2009	1,498,355	\$ 64.18
Granted	408,311	\$ 23.62
Vested	(322,936)	\$ 63.09
Forfeited	(118,592)	\$ 60.05
Non-vested at May 2, 2009	1,465,138	\$ 57.21

The total fair value of restricted stock units granted during the thirteen weeks ended May 2, 2009 and May 3, 2008 was \$9.6 million and \$45.5 million, respectively.

The total grant date fair value of restricted stock units and restricted shares which vested during the thirteen weeks ended May 2, 2009 and May 3, 2008 was \$20.4 million and \$14.8 million, respectively.

As of May 2, 2009, there was \$63.7 million of total unrecognized compensation cost, net of estimated forfeitures, related to non-vested restricted stock units and restricted shares. The unrecognized cost is expected to be recognized over a weighted-average period of 1.4 years.

**3. NET (LOSS) INCOME PER SHARE AND SHAREHOLDERS EQUITY**

Net (loss) income per share is computed in accordance with SFAS No. 128, *Earnings Per Share*. Net (loss) income per basic share is computed based on the weighted-average number of outstanding shares of Common Stock. Net (loss) income per diluted share includes the weighted-average effect of dilutive stock options, stock appreciation rights and restricted stock units.

Weighted-Average Shares Outstanding (in thousands):

	Thirteen Weeks										
	Ended										
	May 2,	May 3,									
	2009	2008									
Shares of Common											
Stock issued	103,300	103,300									
Treasury shares	(15,603)	(16,965)									
Basic shares											
Outstanding	87,697	86,335									
Dilutive effect of											
Stock options, stock											
Appreciation rights											
and restricted stock											
Units		3,803									
Less: Accumulated	(18,873)	(640,121)	(115.8)	(618,816)	(110.7)	(555,854)	(93.1)	(21,305)	3.4	(84,267)	15.0
Depreciation											
Property, Plant and											
Equipment, Net	6,695	227,078	41.1	243,645	43.6	261,610	43.8	(16,567)	(6.8)	(34,532)	(13.0)

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Other Assets	633	21,458	3.8	22,671	4.0	20,285	3.4	(1,213)	(5.4)	1,173	5.0
Total Assets	\$ 16,298	\$ 552,775	100.0	\$ 558,917	100.0	\$ 597,043	100.0	(\$6,142)	(1.1)	(\$44,268)	(7.9)
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>											
<b>Current Liabilities</b>											
Accounts Payable	\$ 172	\$ 5,824	1.1	\$ 6,043	1.1	\$ 10,338	1.7	(\$219)	(3.6)	(\$4,514)	(43.3)
Payables to Contractors and Equipment Suppliers	152	5,145	0.9	7,999	1.4	12,256	2.1	(2,854)	(35.7)	(7,111)	(58.3)
Accrued Expenses and Other Current Liabilities	1,006	34,120	6.1	34,543	6.2	31,162	5.2	(423)	(1.2)	2,958	9.0
Current Portion of Bonds Payable and Long-Term Liabilities	8	286	0.1	8,222	1.5	8,280	1.4	(7,936)	(96.5)	(7,994)	(96.3)
Total Current Liabilities	1,338	45,375	8.2	56,807	10.2	62,036	10.4	(11,432)	(20.1)	(16,661)	(26.3)
Bonds Payable	133	4,500	0.8	4,500	0.8	4,500	0.8				
Other Long-Term Liabilities	518	17,587	3.2	17,237	3.1	17,537	2.9	350	2.0	50	0.3
Total Liabilities	1,989	67,462	12.2	78,544	14.1	84,073	14.1	(11,082)	(14.1)	(16,611)	(19.3)
<b>Shareholders' Equity</b>											
<b>Attributable to Shareholders of the Parent</b>											
Capital Stock											
Par Value	7,556	256,260	46.4	256,254	45.8	256,292	42.9	6	0.0	(32)	(0.1)
Capital Surplus	1,473	49,965	9.0	49,875	8.9	51,696	8.7	90	0.2	(1,731)	(3.5)
Legal Capital Reserve <sup>(2)</sup>	1,985	67,324	12.2	67,324	12.0	56,406	9.4			10,918	19.5
Special Capital Reserve <sup>(2)</sup>	12	392	0.1	392	0.1	630	0.1			(238)	(3.7)
Unappropriated Earnings <sup>(2)</sup>	3,063	103,896	18.8	102,338	18.3	151,597	25.4	1,558	1.5	(47,701)	(31.3)
Treasury Stock						(918)	(0.2)			918	(100.0)
Others	109	3,710	0.6	194	0.1	(6,410)	(1.0)	3,516	1813.8	10,120	(157.3)
Total Equity											
Attributable to Shareholders of the Parent	14,198	481,547	87.1	476,377	85.2	509,293	85.3	5,170	1.1	(27,746)	(5.7)

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Minority Interests	111	3,766	0.7	3,996	0.7	3,677	0.6	(230)	(5.7)	89	2.5
Total Shareholders Equity	14,309	485,313	87.8	480,373	85.9	512,970	85.9	4,940	1.0	(27,657)	(5.7)
Total Liabilities & Shareholders Equity	\$ 16,298	\$ 552,775	100.0	\$ 558,917	100.0	\$ 597,043	100.0	(\$6,142)	(1.1)	(\$44,268)	(7.5)

Note:

(1) *Amounts in New Taiwan dollars have been translated into U.S. dollars at the rate of NT\$33.917 as of March 31, 2009.*

(2) *Certain prior period balances have been reclassified to conform to the current period presentation.*

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND  
SUBSIDIARIES**

**Unaudited Consolidated Condensed Income Statements**

**For the Three Months Ended March 31, 2009, December 31, 2008, and March 31, 2008**

**(Expressed in Millions of New Taiwan Dollars ( NTD ) and U.S. Dollars ( USD )**

**Except for Per Share Amounts and Shares Outstanding)**

	1Q 2009			4Q 2008		1Q 2008		QoQ		YoY	
	USD	NTD	%	NTD	%	NTD	%	Amount	%	Amount	%
Net Sales	\$ 1,164	\$ 39,500	100.0	\$ 64,562	100.0	\$ 87,480	100.0	(\$25,062)	(38.8)	(\$47,980)	(54.8)
Cost of Sales	(943)	(32,020)	(81.1)	(44,367)	(68.7)	(49,241)	(56.3)	12,347	(27.8)	17,221	(35.0)
Gross Profit	221	7,480	18.9	20,195	31.3	38,239	43.7	(12,715)	(63.0)	(30,759)	(80.4)
Operating Expenses											
Research and Development Expenses	(110)	(3,729)	(9.4)	(4,826)	(7.5)	(5,270)	(6.0)	1,097	(22.7)	1,541	(29.2)
General and Administrative Expenses	(47)	(1,595)	(4.0)	(2,285)	(3.5)	(2,662)	(3.0)	690	(30.2)	1,067	(40.1)
Sales and Marketing Expenses	(28)	(947)	(2.4)	(1,062)	(1.7)	(1,184)	(1.4)	115	(10.8)	237	(20.0)
Total Operating Expenses	(185)	(6,271)	(15.9)	(8,173)	(12.7)	(9,116)	(10.4)	1,902	(23.3)	2,845	(31.2)
Income from Operations	36	1,209	3.1	12,022	18.6	29,123	33.3	(10,813)	(89.9)	(27,914)	(95.8)
Non-Operating Income, Net	10	353	0.9	1,412	2.2	1,872	2.1	(1,059)	(75.1)	(1,519)	(81.2)
Investment Gains (Loss)	(24)	(813)	(2.1)	(340)	(0.5)	577	0.7	(473)	138.6	(1,390)	(240.7)
Income before Income Tax	22	749	1.9	13,094	20.3	31,572	36.1	(12,345)	(94.3)	(30,823)	(97.6)
Income Tax Benefits (Expenses)	22	739	1.9	(452)	(0.7)	(3,336)	(3.8)	1,191	(263.5)	4,075	(122.2)

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Net Income	44	1,488	3.8	12,642	19.6	28,236	32.3	(11,154)	(88.2)	(26,748)	(94.7)
Minority Interests	2	71	0.1	(196)	(0.3)	(93)	(0.1)	267	(136.3)	164	(176.8)
Net Income Attributable to Shareholders of the Parent	46	1,559	3.9	12,446	19.3	28,143	32.2	(10,887)	(87.5)	(26,584)	(94.5)
Earnings per Share Diluted	\$ 0.00	\$ 0.06	\$ 0.48	\$ 1.08				(\$0.42)	(87.5)	(\$1.02)	(94.4)
Earnings per ADR Diluted <sup>(2)</sup>	\$ 0.01	\$ 0.30	\$ 2.42	\$ 5.38				(\$2.12)	(87.5)	(\$5.08)	(94.4)
Weighted Average Outstanding Shares Diluted ( M) <sup>(3)</sup>		25,792		25,655		26,167					

Note:

(1) Amounts in New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of NTD 33.922 for the first quarter of 2009.

(2) 1 ADR equals 5 ordinary shares.

(3) Total diluted weighted average outstanding shares were 26,167M shares for 1Q08 after the retroactive

*adjustments for  
stock dividends  
and stock bonus.*

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**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND  
SUBSIDIARIES**

**Consolidated Condensed Statements of Cash Flows**

**For The Three Months Ended March 31, 2009, December 31, 2008, and March 31, 2008**

**(Expressed in Millions of New Taiwan Dollars ( NTD ) and U.S. Dollars ( USD ))**

	<b>1Q 2009</b>		<b>4Q 2008</b>		<b>1Q 2008</b>	
	<b>(unaudited)</b>		<b>(unaudited)</b>		<b>(unaudited)</b>	
	<b>USD</b>	<b>NTD</b>	<b>NTD</b>		<b>NTD</b>	
Cash Flows from Operating Activities:						
Net Income	\$ 46	\$ 1,559	\$ 12,446	\$ 28,143		
Net Income (Loss) Attributable to Minority Interest	(2)	(71)	196	93		
Depreciation & Amortization	604	20,483	20,961	19,831		
Deferred Income Tax	(41)	(1,394)	154	435		
Equity in Loss (Earnings) of Equity Method Investees, Net	24	813	340	(577)		
Changes in Working Capital & Others	159	5,398	29,147	9,370		
<b>Net Cash Provided by Operating Activities</b>	<b>790</b>	<b>26,788</b>	<b>63,244</b>	<b>57,295</b>		
Cash Flows from Investing Activities:						
Acquisitions of:						
Marketable Financial Instruments	(273)	(9,251)	(33,059)	(13,902)		
Investments Accounted for Using Equity Method			(1)			
Property, Plant and Equipment	(166)	(5,617)	(11,258)	(15,313)		
Financial Assets Carried at Cost	(2)	(83)	(73)	(213)		
Proceeds from Disposal or Maturity of:						
Marketable Financial Instruments	680	23,053	63,368	26,816		
Property, Plant and Equipment		2	24	1		
Financial Assets Carried at Cost			73	93		
Others	1	32	(1,061)	(607)		
<b>Net Cash Provided by (Used In) Investing Activities</b>	<b>240</b>	<b>8,136</b>	<b>18,013</b>	<b>(3,125)</b>		
Cash Flows from Financing Activities:						
Decrease in Guarantee Deposits	(5)	(165)	(140)	(371)		
Proceeds from Exercise of Stock Options		15	5	81		
Repayment of Long-Term Bonds Payable	(236)	(8,000)				
Repurchase of Treasury Stock				(3,054)		
Others	9	275	(163)	58		
<b>Net Cash Used in Financing Activities</b>	<b>(232)</b>	<b>(7,875)</b>	<b>(298)</b>	<b>(3,286)</b>		
<b>Net Increase in Cash and Cash Equivalents</b>	<b>798</b>	<b>27,049</b>	<b>80,959</b>	<b>50,884</b>		
<b>Effect of Exchange Rate Changes and Others</b>	<b>47</b>	<b>1,599</b>	<b>1,209</b>	<b>(1,593)</b>		

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Cash and Cash Equivalents at Beginning of Period	5,737	194,614	112,446	94,986
Cash and Cash Equivalents at End of Period	\$ 6,582	\$ 223,262	\$ 194,614	\$ 144,277

*(1) Amounts in  
Note: New Taiwan  
dollars have  
been translated  
into U.S. dollars  
at the weighted  
average rate of  
NTD33.922 for  
the three months  
ended  
March 31, 2009.*

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**SIGNATURES**

Pursuant to the requirements 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.

Taiwan Semiconductor Manufacturing Company  
Ltd.

Date: April 30, 2009

By /s/ Lora Ho  
Lora Ho  
Vice President & Chief Financial Officer