

URBAN

OUTFITTERS

INC.

ANNUAL

REVIEW

2006

PHILADELPHIA, PENNSYLVANIA TWO THOUSAND SIX
URBAN OUTFITTERS INC.

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DEAR SHAREHOLDERS

We are pleased to report another year of strong growth for our Company. Sales and profits both set new records. Every metric we use to gauge the Company's overall performance showed improvement over the prior year. Let me share a few of them with you.

Revenues generated are certainly one of the most basic ways of measuring a company's performance and last year we passed a true milestone – for the first time, annual sales topped one billion dollars. Total sales grew 32% on a year-over-year basis, well above our minimum 20% annual growth rate goal. Even better, the sales gains were broad-based with each of the Company's brands – Anthropologie, Free People and Urban Outfitters – and each mode of product distribution – retail stores, direct-to-consumer and wholesale – exceeding that minimum growth goal.

Existing, or “comp”, store sales increased by 11% and when combined with the sales generated by opening 33 new stores during the year, total retail store sales grew by 29% on a year-over-year basis. Thirty-three was the greatest number of new stores we have ever opened in a single year; 14 were opened by the Anthropologie brand, 15 by the Urban Outfitters brand and 4 by the Free People brand.

The direct-to-consumer businesses also posted record revenues as total sales via that mode of distribution climbed to \$130M, up 39% against the prior year. All three brands posted strong gains. These were driven primarily by increases in the number of catalogs distributed.

The Free People wholesale division won the prize for the Company's fastest growth. Revenues almost doubled and

exceeded \$53 million. This explosive growth resulted primarily from a significant increase in the average order size of existing customers.

As sales grew, overall expenses, viewed as a percent of sales, decreased. We achieved approximately 100 basis points of savings in spite of significant new investments in infrastructure – investments that will allow us to grow in the future. These include the addition of a larger fulfillment and call center with new equipment and systems to accommodate the rapid growth in our direct-to-consumer businesses and the purchase of a number of buildings in the historic district of the Philadelphia Naval Shipyard to house our growing corporate and brand office staffs.

Strong sales growth and tight expense control combined to drive operating margins to a record 19% of sales and earnings to a record \$131 million. In Fiscal 2006 we earned almost 45% more than in the prior year. For our shareholders this meant that their equity reached a new record, exceeding one-half billion dollars, and our market capitalization increased by more than \$1 billion during the year. At year-end it stood at a record \$4.5 billion.

THE FUTURE

In the current fiscal year our goal continues to be to grow annual sales by at least 20%. To achieve this goal we plan to open 35 to 38 new stores, including our first Urban Outfitters store in continental Europe in the city of Copenhagen. In addition, by increasing catalog distribution and using web-based marketing more effectively, we plan to sell more products over the internet. Better marketing will also help us drive more business into the existing stores and

make them more productive. Toward the end of the year we plan to launch a commerce-enabled website in Europe.

The wholesale business has entered Fiscal 2007 with tremendous momentum. We expect a very modest increase in the existing account base but plan to grow our market share within that base, significantly. Several of our larger customers have already committed more floor space to our brand, and we expect to double the number of shops-within-shops in operation this year.

The churn in fashion is the perpetual engine that drives our business. So the recent seismic shift in women's fashion provides our Company with an excellent opportunity to supply our customers with the *new* products they want. We believe the first quarter of the current fiscal year will most likely be the transition period between the fashion fault lines and remain confident that subsequent quarters should reap the benefits of the new fashion terrain.

Long term trends reveal that retailing is decreasingly about offering a collection of products and more about creating compelling customer experiences – ones that integrate the shopping environment with the product assortment and the marketing. Our ability to produce strong financial results does not rest with any one particular fashion look. Over time, it flows from our ability to create a shopping experience that connects with the customer on an emotional level. Our proven strength in this area gives our brands a competitive advantage in the marketplace and enormous opportunity for future growth.

–Richard A. Hayne, President

MARCH 10, 2006



OUR THREE BRANDS



URBAN OUTFITTERS

Known widely as the brand of choice for independent, urban-minded young adults, Urban Outfitters distinguishes itself by providing a uniquely personal and creatively-driven shopping experience. Culturally eclectic, witty and diverse, Urban's 94 locations throughout the United States, Canada and Europe offer its customers the opportunity to create their own style and have fun while doing it. UrbanOutfitters.com offers this unique experience 24 hours a day, 7 days a week, 365 days a year.

ARIZONA
TEMPE
TUCSON
SCOTTSDALE

CALIFORNIA
BERKELEY
BURBANK
COSTA MESA
IRVINE
LOS ANGELES
PASADENA
RANCHO CUCAMONGA
SANTA CRUZ
SAN DIEGO
SAN FRANCISCO
SAN JOSE
SAN LUIS OBISPO
SANTA BARBARA
SANTA MONICA
SIMI VALLEY
THOUSAND OAKS
TORRANCE*
WESTWOOD

COLORADO
BOULDER
LONE TREE
DENVER

CONNECTICUT
NEW HAVEN

FLORIDA
MIAMI
MIAMI BEACH
ORLANDO
PALM BEACH GARDENS
SOUTH MIAMI
TAMPA

GEORGIA
ATLANTA

ILLINOIS
CHICAGO
on CLARK ST.
on NORTH RUSH ST.
on SOUTH STATE ST.
on NORTH MILWAUKEE AVE.
EVANSTON
SCHAUMBURG
OAK BROOK

INDIANA
BLOOMINGTON

KANSAS
LAWRENCE

LOUISIANA
NEW ORLEANS

MASSACHUSETTS
BOSTON
on NEWBURY ST.
at FANEUIL HALL
CAMBRIDGE

MICHIGAN
ANN ARBOR
EAST LANSING
TROY

MINNESOTA
MINNEAPOLIS
BLOOMINGTON

MISSOURI
KANSAS CITY
ST. LOUIS

NEVADA
LAS VEGAS
at DESERT PASSAGE
at MANDALAY PLACE

NEW YORK
NEW YORK
in CHELSEA
on THE EAST SIDE

in MIDTOWN
in NOHO
in QUEENS
on THE WEST SIDE
on THE UPPER WEST SIDE
GARDEN CITY

NORTH CAROLINA
CHARLOTTE

OHIO
CINCINNATI
COLUMBUS
WESTLAKE

OREGON
PORTLAND
TIGARD*

PENNSYLVANIA
KING OF PRUSSIA
PHILADELPHIA
WEST PHILADELPHIA
PITTSBURGH

RHODE ISLAND
PROVIDENCE

SOUTH CAROLINA
CHARLESTON

TEXAS
AUSTIN
DALLAS
on EAST MOCKINGBIRD LANE
at NORTHPARK CENTER*
HOUSTON
on UNIVERSITY BLVD.
at THE GALLERIA
SPRING

VERMONT
BURLINGTON

VIRGINIA
MCLEAN
RICHMOND*

WASHINGTON
LYNNWOOD*
SEATTLE
on BROADWAY EAST
on FIFTH AVE.

WASHINGTON D.C.
GEORGETOWN
CHINATOWN

WISCONSIN
MADISON

CANADA
MONTREAL
TORONTO
WEST EDMONTON

ENGLAND
BIRMINGHAM
LONDON
on KENSINGTON HIGH ST.
on OXFORD ST.
on EARLHAM ST.
MANCHESTER

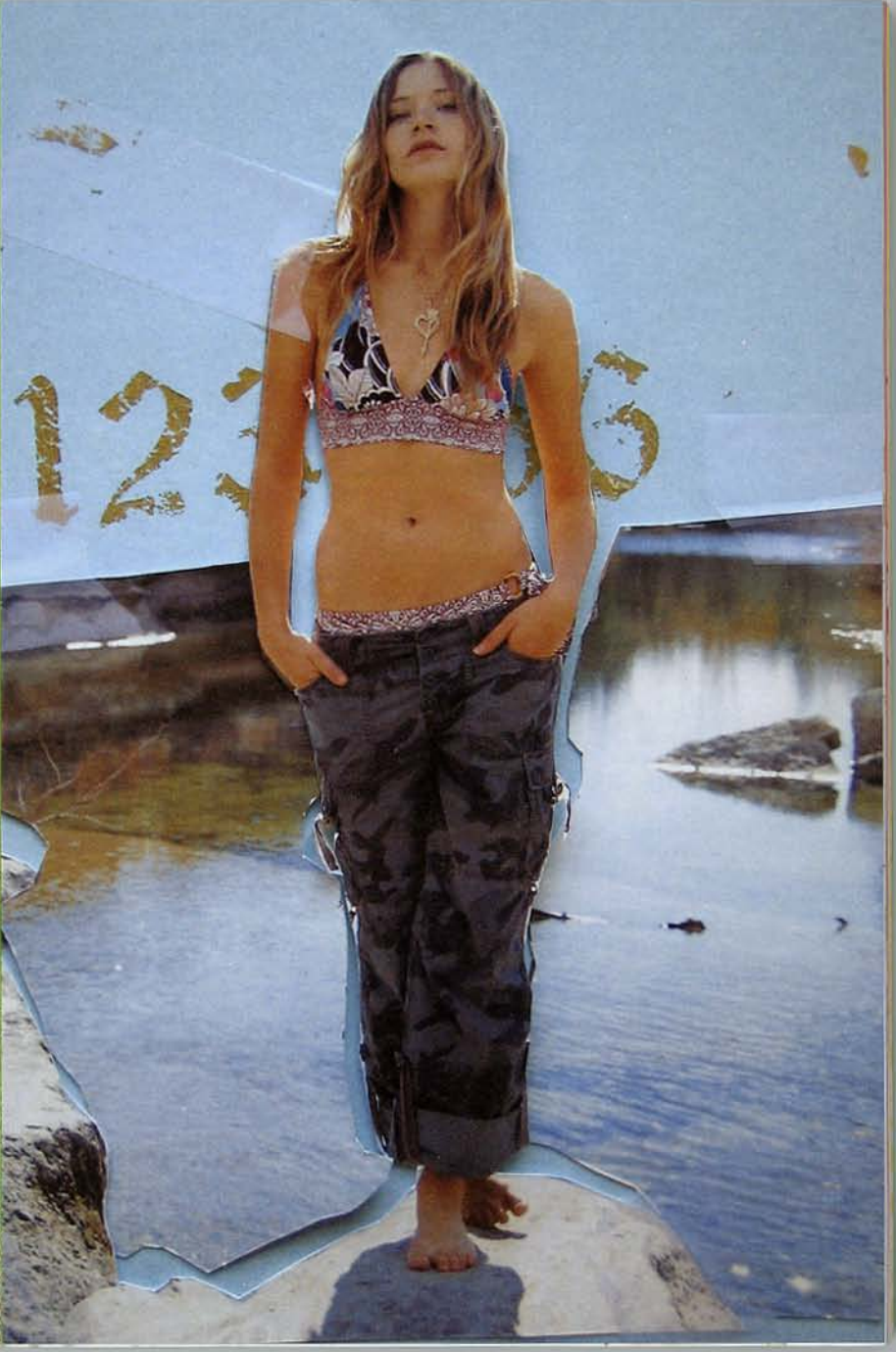
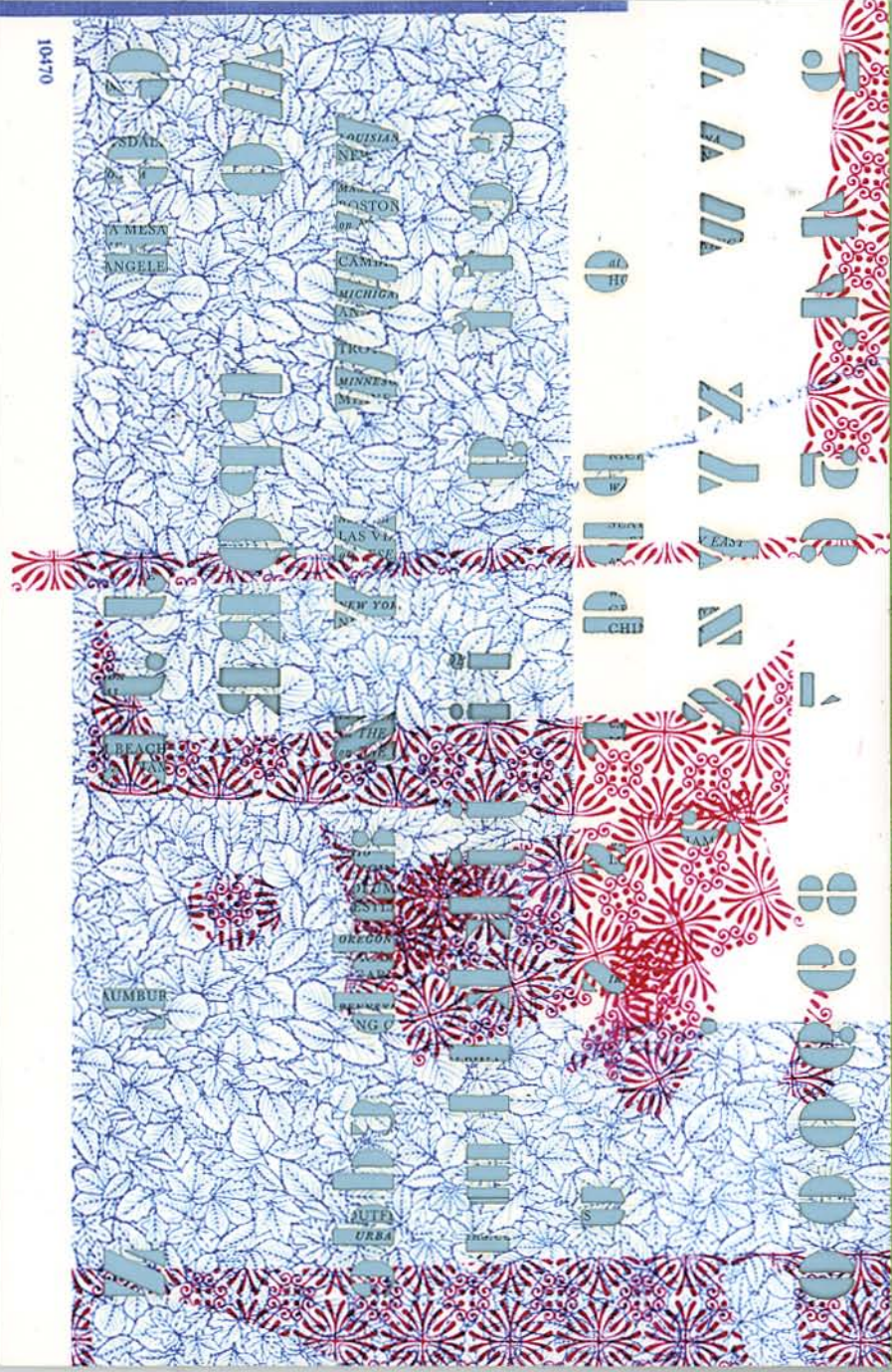
IRELAND
DUBLIN

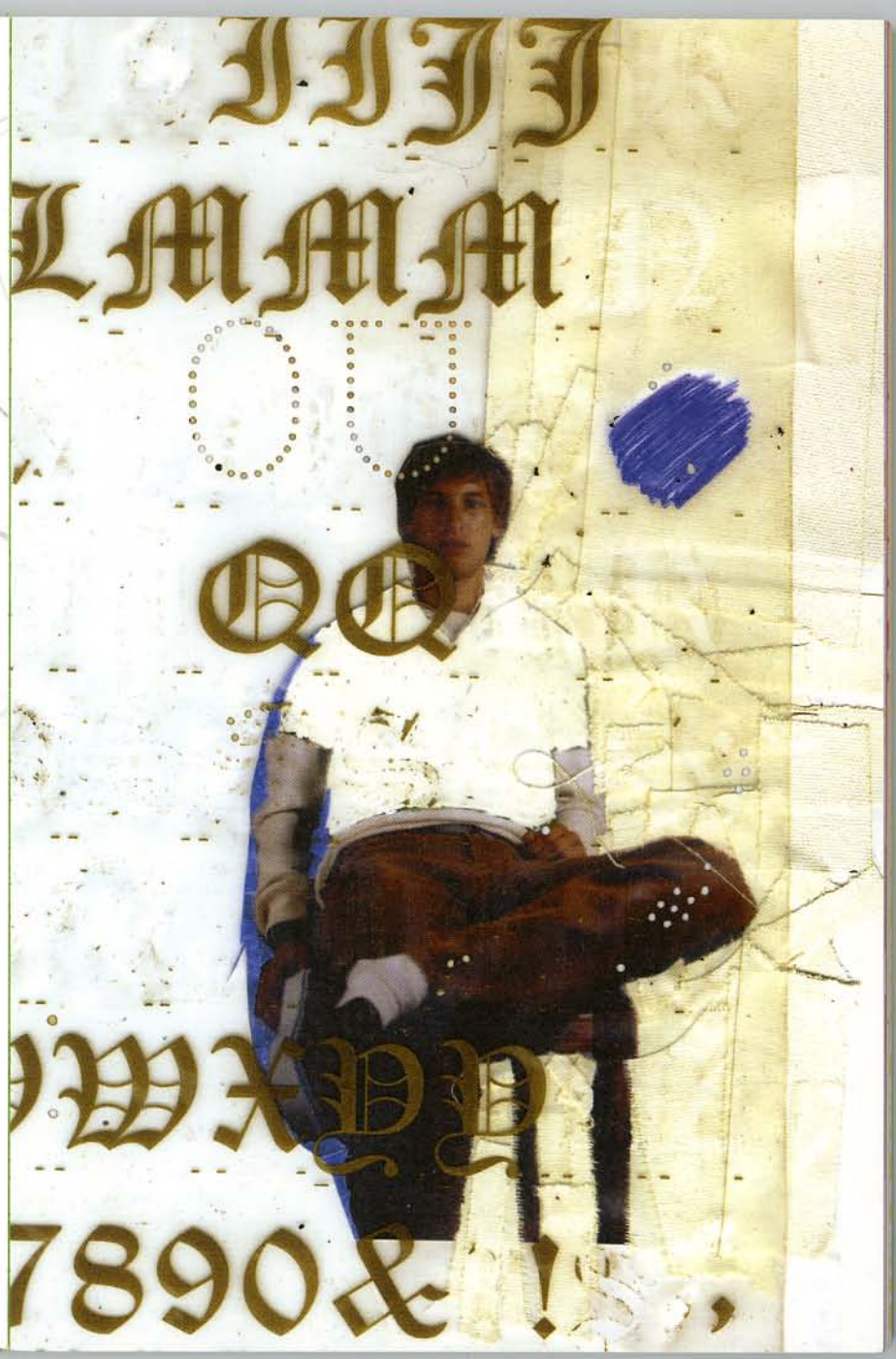
SCOTLAND
GLASGOW

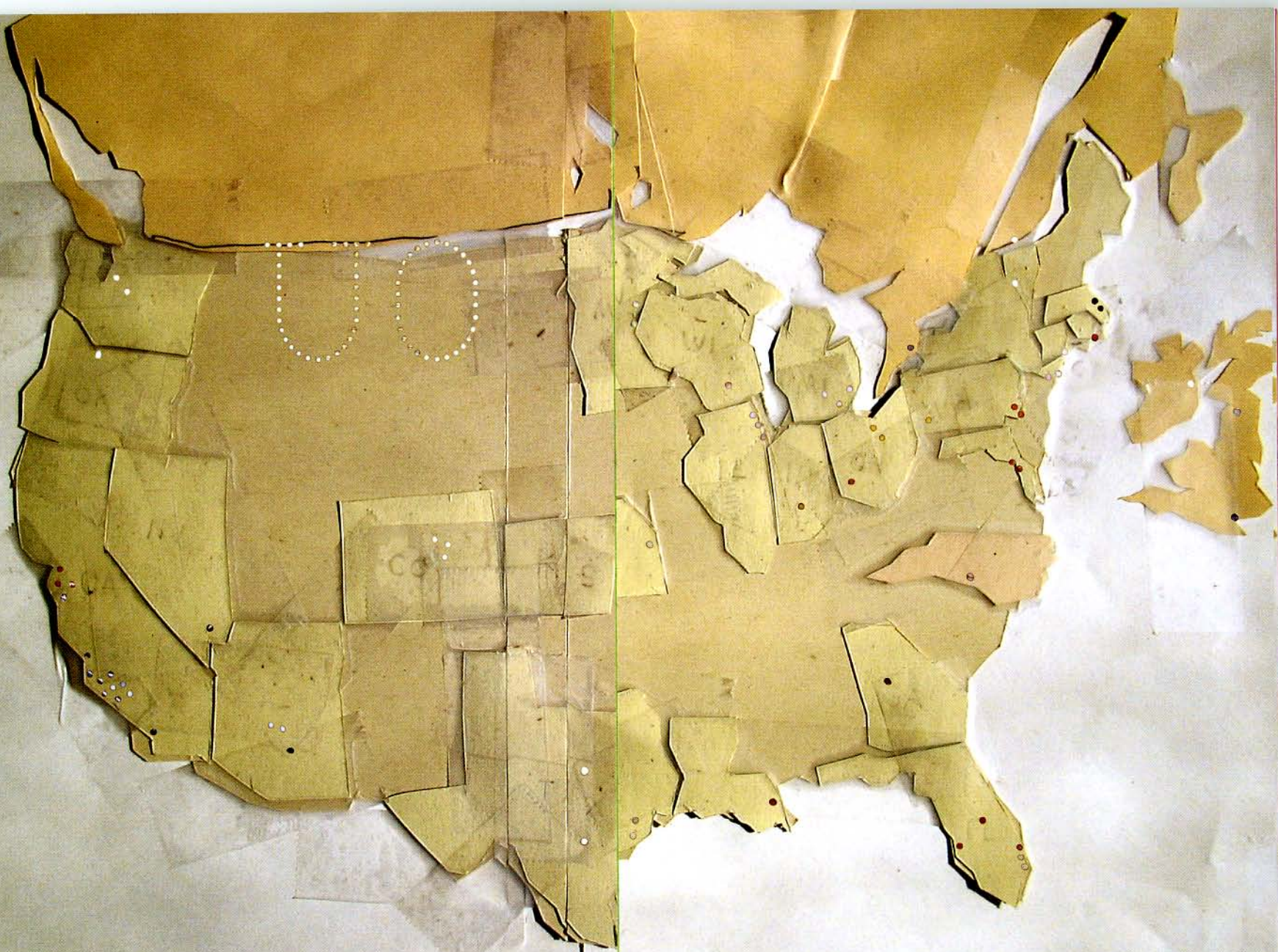
*COMING SOON

URBAN OUTFITTERS STORE LOCATIONS
URBANOUTFITTERS.COM











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FREE PEOPLE

Free People – the youngest division of Urban Outfitters Inc. – was the name of Urban Outfitters's very first store. Today, we have grown by leaps and bounds. We now consist of two wholesale showrooms which sell to Bloomingdale's, Nordstrom, and over 1,000 specialty boutiques worldwide as well as six Free People retail boutiques, and an ever-evolving website and catalog.

Our Free People girl is the reason that we buy, design, draw and sew. She is a constant source of strength and femininity and it is her spirit that invokes these very characteristics in ourselves.

Free People's philosophy is always to inspire her, this 26-year-old sweet tomboy-ish, creative, independent, insightful and lively girl. We strive to challenge her, and most of all, to keep her happy. We do this by focusing on our visual presentation, providing stellar customer service and constantly switching up our product assortment.

FREE PEOPLE RETAIL STORES ARE LOCATED IN:

*NEW JERSEY
PARAMUS
SHORT HILLS*

*PENNSYLVANIA
KING OF PRUSSIA
ARDMORE*

*VIRGINIA
ARLINGTON
MCLEAN*

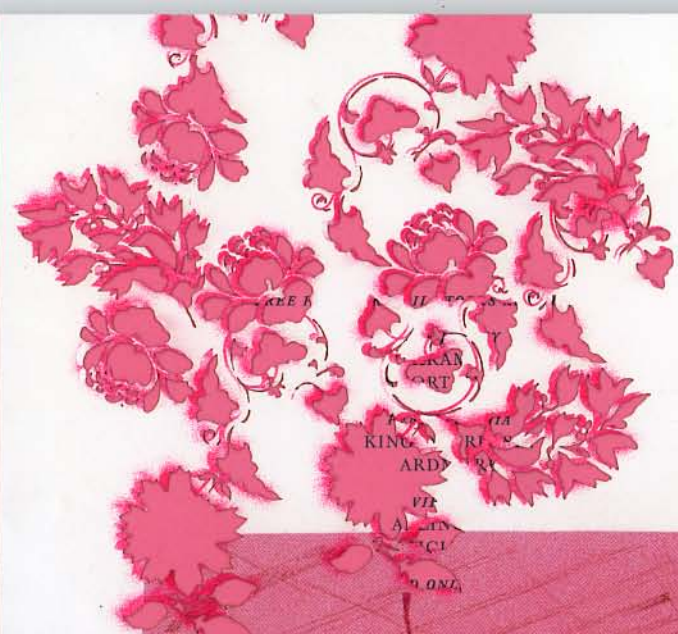
*AND ONLINE AT
FREEPEOPLE.COM*

WHOLESALE SHOWROOMS ARE LOCATED IN:

*NEW YORK
209 WEST 38th STREET, 7th FLOOR*

*LOS ANGELES
127 EAST 9th STREET, SUITE 909*





THE
KING OF THE
HARD
VI
AL
CI
ONL



~~PARISIAN~~

~~IN THE CITY~~



~~PARISIAN~~

~~IN THE CITY~~

beaded crinkle top
Patchwork jeans
beaded quilted
simple striped
sunset stripes







ANTHROPOLOGIE

Anthropologie is dedicated to creating a warm and imaginative store environment that will engage the senses and encourage discovery. Our target customer is a woman between the ages of 30 and 45, who leads an active lifestyle. She visits Anthropologie to find beautiful, well-made products for herself and her home. Each item that we create is designed to reflect her individuality, intelligence, and her desire for newness. Always evolving, we find our inspiration in the things we love, whether it's a Parisian patisserie or the color red. While our stores have grown to just over 80, and our catalog and website each maintain a unique identity, our company as a whole continues to develop a unified vision.

ALABAMA
BIRMINGHAM

ARIZONA
SCOTTSDALE
at FASHION SQUARE
at KIERLAND COMMONS
TUCSON

CALIFORNIA
BERKELEY
BEVERLY HILLS
CARLSBAD
CARMEL*
CORTE MADERA*
FRESNO*
LOS ANGELES
IRVINE
NEWPORT BEACH
PASADENA
PALO ALTO
SAN FRANCISCO
SAN JOSE
SANTA BARBARA
SANTA MONICA
SIMI VALLEY
RANCHO CUCAMONGA*
THOUSAND OAKS

COLORADO
DENVER
at CHERRY CREEK
at LONE TREE

CONNECTICUT
WESTPORT
GREENWICH
SOUTH WINDSOR

FLORIDA
CORAL GABLES
JACKSONVILLE
MIAMI BEACH
NAPLES
ORLANDO
PALM BEACH GARDENS
TAMPA
WEST PALM BEACH

GEORGIA
ATLANTA
DUNWOODY

ILLINOIS
CHICAGO
at N. STATE ST.
at SOUTHPORT AVE.*
GENEVA
HIGHLAND PARK
OAK BROOK
SCHAUMBURG

MARYLAND
ROCKVILLE
TOWSON

MASSACHUSETTS
BOSTON
CHESTNUT HILL

MICHIGAN
BIRMINGHAM

MINNESOTA
MAPLE GROVE
MINNEAPOLIS

MISSOURI
KANSAS CITY
ST. LOUIS

NEVADA
HENDERSON
LAS VEGAS

NEW JERSEY
EDGEWATER
PRINCETON
SHORT HILLS
WOODCLIFF LAKE

NEW YORK
GREENVALE
NEW YORK
at 16th ST. & 5th AVENUE
in SOHO
at ROCKEFELLER CENTER*
GARDEN CITY
WHITE PLAINS

NORTH CAROLINA
CHARLOTTE
at NORTHLAKE MALL
at SOUTHPARK MALL

OHIO
CINCINNATI
COLUMBUS
WOODMERE

OREGON
PORTLAND
TIGARD

PENNSYLVANIA
PHILADELPHIA
PITTSBURGH
WAYNE

TEXAS
AUSTIN*
DALLAS
at HIGHLAND PARK VILLAGE
at NORTHPARK CENTER
HOUSTON
PLANO
SAN ANTONIO
SPRING

UTAH
SALT LAKE CITY

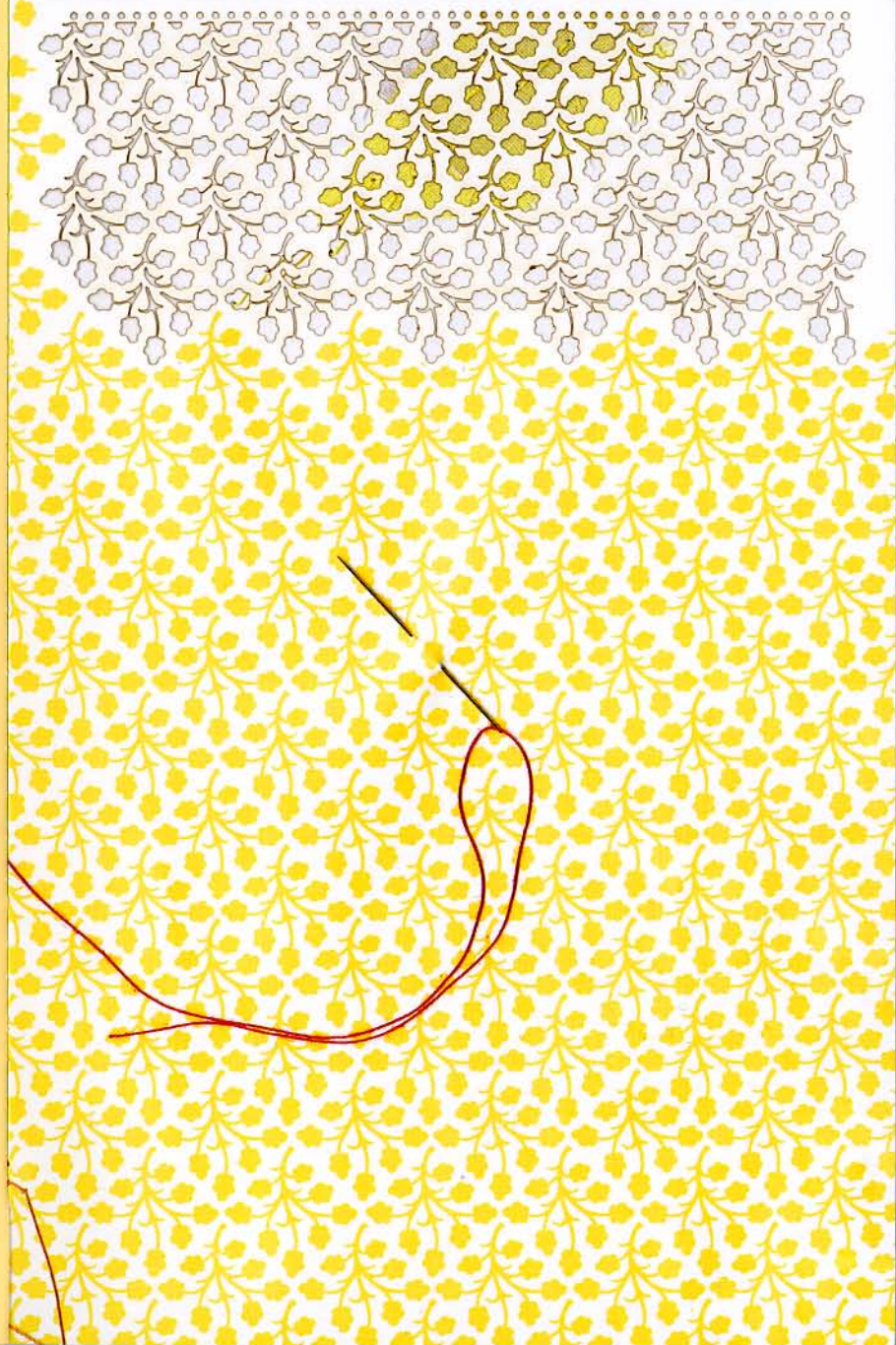
VIRGINIA
MCLEAN
RICHMOND

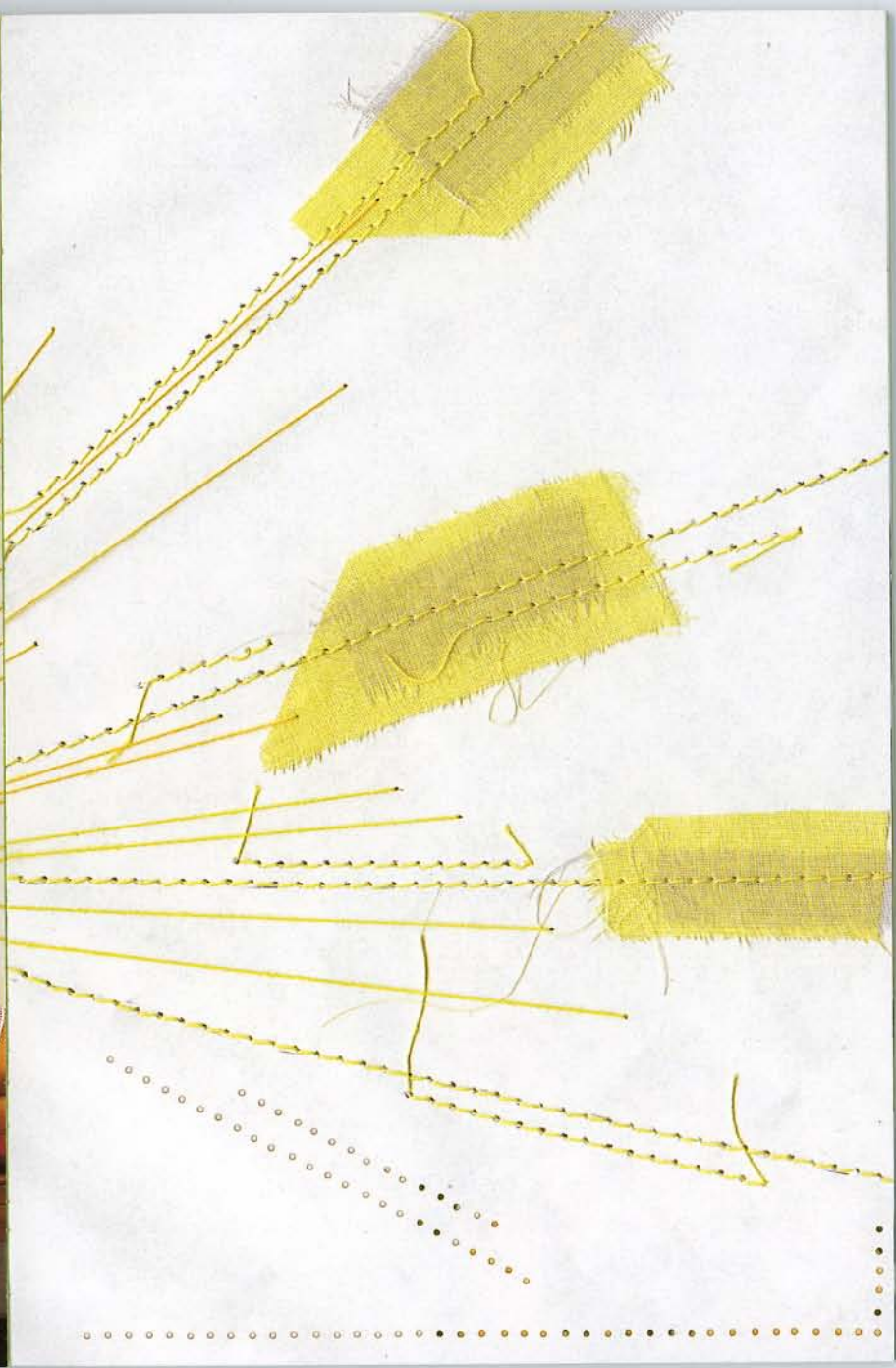
WASHINGTON
SEATTLE
on 5th AVENUE
at UNIVERSITY VILLAGE

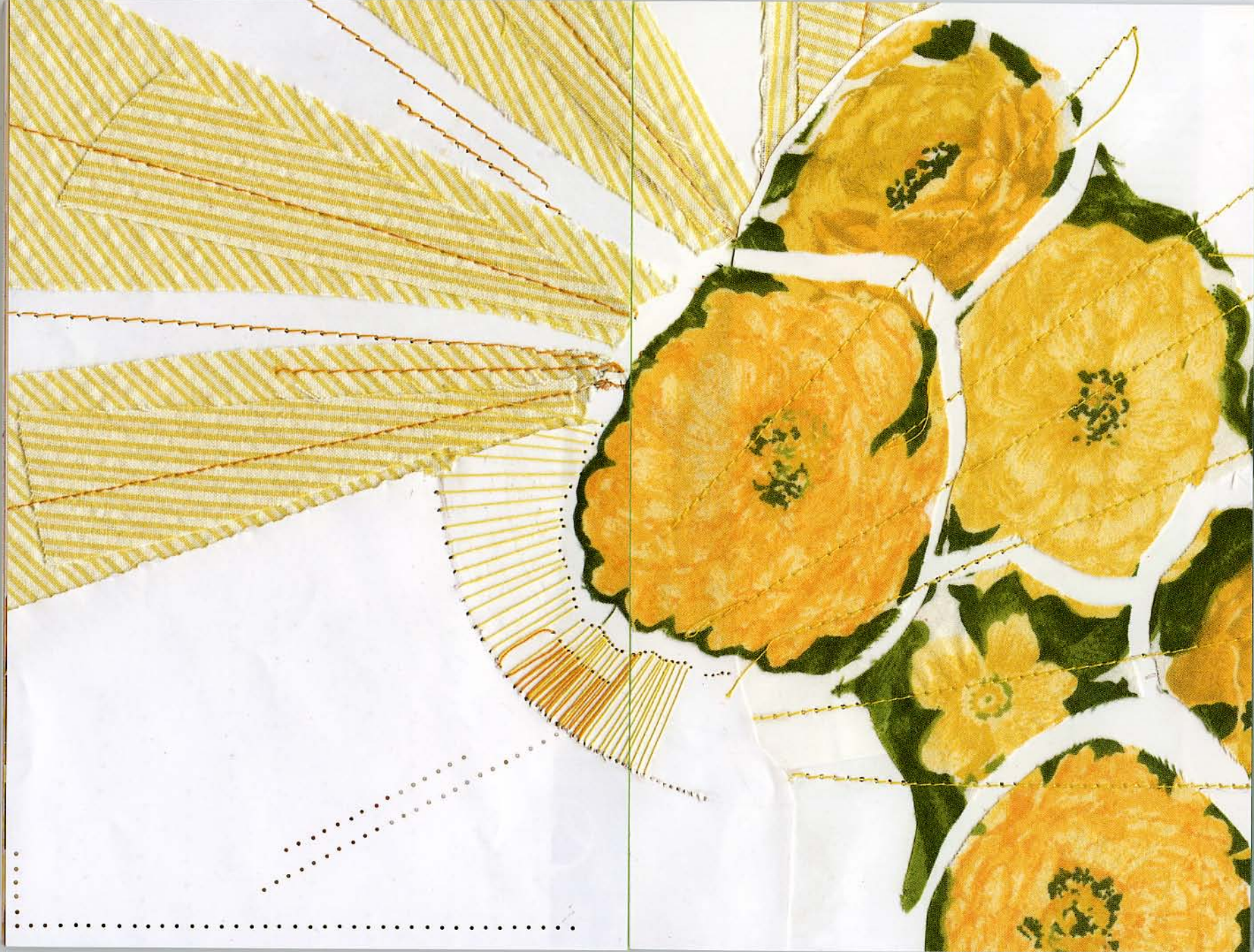
WASHINGTON D.C.
GEORGETOWN

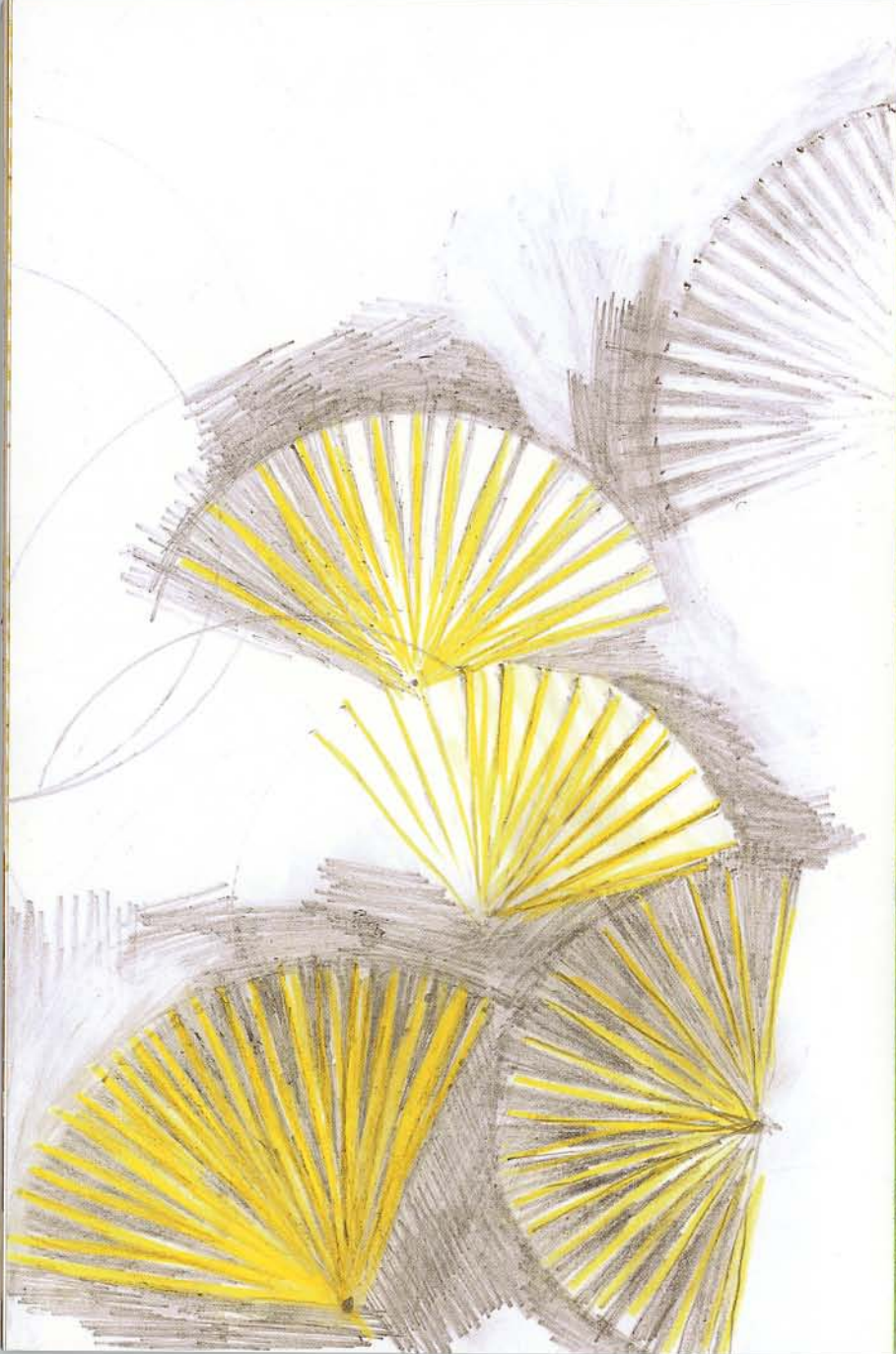
*COMING SOON

ANTHROPOLOGIE STORE LOCATIONS
ANTHROPOLOGIE.COM











<i>INCOME STATEMENT DATA</i>	<i>2006</i>	<i>2005</i>	<i>% CHANGE</i>
Net Sales	\$ 1,092,107	\$ 827,750	32%
Gross Profit	\$ 448,606	\$ 338,750	32%
Income From Operations	\$ 207,699	\$ 148,366	40%
Net Income	\$ 130,796	\$ 90,489	45%
Net Income Per Common Share (diluted)	\$ 0.77	\$ 0.54	
Weighted Average Common Shares Outstanding (diluted)	169,936,041	167,303,450	

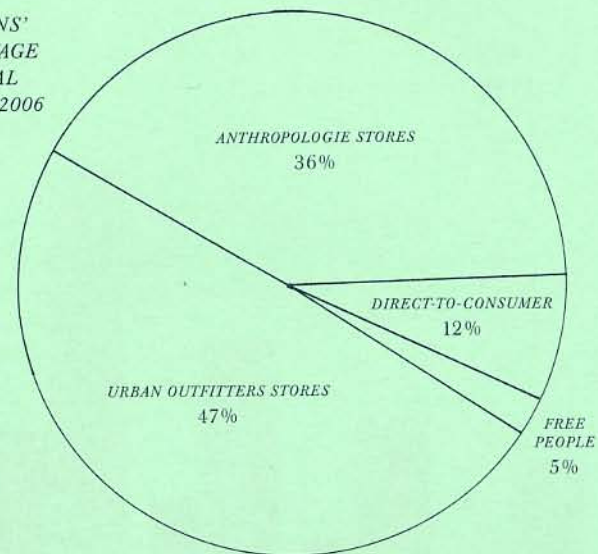
<i>BALANCE SHEET DATA</i>	<i>2006</i>	<i>2005</i>
Working Capital	\$ 251,675	\$ 189,597
Total Assets	\$ 769,205	\$ 556,684
Total Liabilities	\$ 208,325	\$ 154,440
Total Shareholders' Equity	\$ 560,880	\$ 402,244

SELECTED FINANCIAL DATA

FISCAL YEAR ENDED JANUARY 31

(IN THOUSANDS, EXCEPT SHARE AMOUNTS AND PER-SHARE DATA)

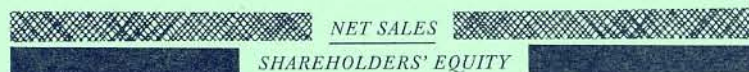
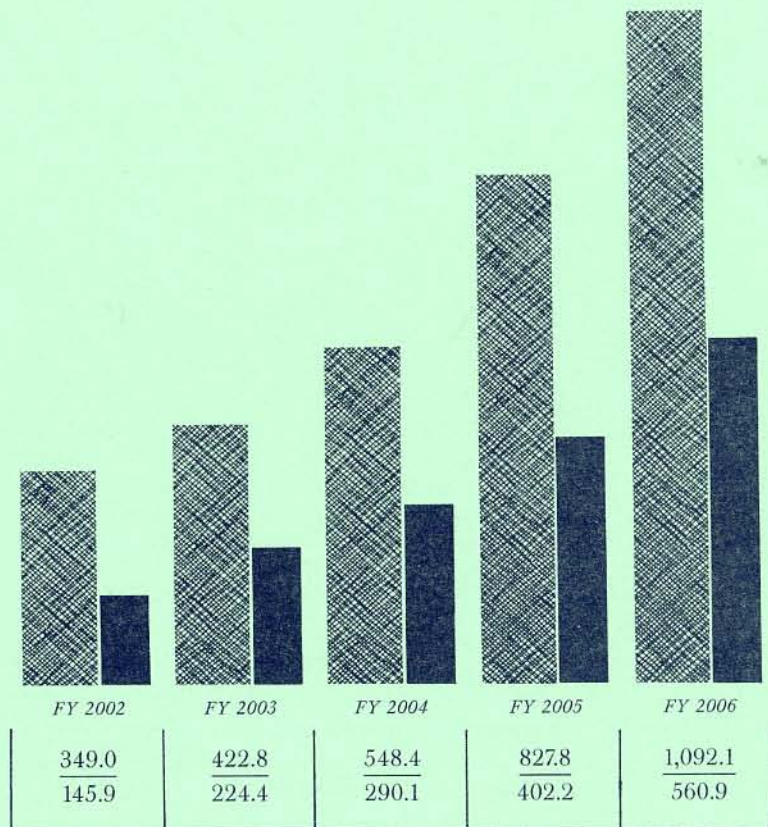
DIVISIONS' PERCENTAGE OF TOTAL SALES FY 2006



<i>SALES DATA</i>	<i>2006</i>	<i>2005</i>	<i>% CHANGE</i>
Urban Outfitters Store Sales	\$ 508,106	\$ 384,371	32%
Anthropologie Store Sales	\$ 395,157	\$ 320,621	23%
Direct-To-Consumer Sales	\$ 130,581	\$ 93,913	39%
Free People Sales	\$ 58,263	\$ 28,845	102%
TOTAL NET SALES	\$ 1,092,107	\$ 827,750	32%

SALES DATA

FISCAL YEAR ENDED JANUARY 31 (IN THOUSANDS)



FINANCIAL HIGHLIGHTS

FISCAL YEAR ENDED JANUARY 31 (IN MILLIONS)

Urban Outfitters Inc.'s net sales have grown at a 30% compounded annual rate over the past five years. During that same time, shareholders' equity has increased by approximately 330%.

FISCAL 2005	Market Prices*	
	HIGH	LOW
Quarter Ended April 30, 2004	\$12.68	\$9.93
Quarter Ended July 31, 2004	\$15.81	\$11.06
Quarter Ended October 31, 2004	\$20.74	\$12.94
Quarter Ended January 31, 2005	\$24.23	\$18.93

FISCAL 2006	Market Prices*	
	HIGH	LOW
Quarter Ended April 30, 2005	\$24.72	\$20.32
Quarter Ended July 31, 2005	\$31.48	\$21.94
Quarter Ended October 31, 2005	\$31.77	\$24.90
Quarter Ended January 31, 2006	\$33.77	\$23.87

*The prices for Fiscal 2005 and the first two quarters of Fiscal 2006 have been adjusted to reflect a two-for-one split of our common stock, which was effective September 6, 2005.

MARKET INFORMATION

Our common shares are traded on the *NASDAQ* National Market under the symbol "URBN". This table sets forth, for the periods indicated, the reported high and low sale prices of our common shares as reported on the *NASDAQ* National Market.

BOARD OF DIRECTORS

Scott A. Belair
PRINCIPAL, THE ZAC GROUP

Harry S. Cherken, Jr.
PARTNER, DRINKER BIDDLE & REATH LLP

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CHAIRMAN OF THE BOARD

Joel S. Lawson III
INDEPENDENT CONSULTANT

Glen T. Senk
EXECUTIVE VICE PRESIDENT, URBAN OUTFITTERS INC.
PRESIDENT, ANTHROPOLOGIE INC.

Robert H. Strouse
PRESIDENT & CHIEF OPERATING OFFICER, WIND RIVER HOLDINGS, L.P.

EXECUTIVE OFFICERS

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GENERAL COUNSEL & SECRETARY

Richard A. Hayne
CHAIRMAN OF THE BOARD OF DIRECTORS & PRESIDENT

John E. Kyees
CHIEF FINANCIAL OFFICER

Tedford G. Marlow
PRESIDENT, URBAN RETAIL

Robert Ross
CONTROLLER

Glen T. Senk
EXECUTIVE VICE PRESIDENT, URBAN OUTFITTERS INC.
PRESIDENT, ANTHROPOLOGIE INC.

Freeman M. Zausner
CHIEF ADMINISTRATIVE OFFICER

URBAN OUTFITTERS INC.

URBANOUTFITTERSINC.COM

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phone 215-564-2313 fax 215-568-1549

Anthropologie
5000 SOUTH BROAD STREET, BUILDING no.10
PHILADELPHIA, PENNSYLVANIA, 19112
phone 215-564-2313 fax 215-557-4702

Free People
235 SOUTH 17th STREET, PHILADELPHIA, PENNSYLVANIA, 19103
phone 215-564-2313 fax 215-557-4703

URBAN OUTFITTERS INC. FY95 ANNUAL REVIEW

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*AND HAND-STITCHING BY
JENNIFER COTE, PHILADELPHIA*

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