

TRANS WORLD ENTERTAINMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share and share amounts)

	February 2, 2019	February 3, 2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,355	\$ 31,326
Restricted cash	4,126	1,505
Accounts receivable	5,383	4,469
Merchandise inventory	94,842	109,112
Prepaid expenses and other current assets	6,657	6,976
Total current assets	<u>115,363</u>	<u>153,388</u>
Restricted cash	5,745	10,675
Fixed assets, net	7,529	13,546
Goodwill	—	39,191
Intangible assets, net	3,668	23,967
Other assets	5,708	7,139
TOTAL ASSETS	<u><u>\$ 138,013</u></u>	<u><u>\$ 247,906</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 34,329	\$ 41,780
Accrued expenses and other current liabilities	8,132	10,846
Deferred revenue	6,955	7,935
Total current liabilities	<u>49,416</u>	<u>60,561</u>
Other long-term liabilities	24,867	29,131
TOTAL LIABILITIES	<u>74,283</u>	<u>89,692</u>
SHAREHOLDERS' EQUITY		
Preferred stock (\$0.01 par value; 5,000,000 shares authorized; none issued)	—	—
Common stock (\$0.01 par value; 200,000,000 shares authorized; 64,436,671 shares and 64,305,171 shares issued, respectively)	644	643
Additional paid-in capital	344,214	341,103
Treasury stock at cost (28,177,832 and 28,156,601 shares, respectively)	(230,166)	(230,145)
Accumulated other comprehensive loss	(735)	(998)
(Accumulated deficit) Retained earnings	(50,227)	47,611
TOTAL SHAREHOLDERS' EQUITY	<u>63,730</u>	<u>158,214</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 138,013</u></u>	<u><u>\$ 247,906</u></u>

See Accompanying Notes to Consolidated Financial Statements.

TRANS WORLD ENTERTAINMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share and share amounts)

	Fiscal Year Ended	
	February 2, 2019	February 3, 2018
Net sales	\$ 412,997	\$ 437,173
Other revenue	5,193	5,683
Total revenue	418,190	442,856
Cost of sales	290,116	299,013
Gross profit	128,074	143,843
Selling, general and administrative expenses	165,222	167,924
Income from joint venture	—	(1,787)
Asset impairment charges	59,658	29,107
Loss from operations	(96,806)	(51,401)
Interest expense	723	332
Other income	(227)	(8,881)
Loss before income taxes	(97,302)	(42,852)
Income tax expense (benefit)	80	(299)
Net loss	\$ (97,382)	\$ (42,553)
Basic and diluted loss per share	\$ (2.68)	\$ (1.18)

See Accompanying Notes to Consolidated Financial Statements.

TRANS WORLD ENTERTAINMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)

	Fiscal Year Ended	
	February 2, 2019	February 3, 2018
Net loss	\$ (97,382)	\$ (42,553)
Pension actuarial income (loss) adjustment	263	(196)
Comprehensive loss	<u>\$ (97,119)</u>	<u>\$ (42,749)</u>

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TRANS WORLD ENTERTAINMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(dollars and shares in thousands)

	<i>Common Shares</i>	<i>Common Stock</i>	<i>Additional Paid-in Capital</i>	<i>Treasury Shares</i>	<i>Treasury Stock At Cost</i>	<i>Accumulated Other Comprehensive Loss</i>	<i>Retained Earnings (Accumulaed Deficit)</i>	<i>Shareholders' Equity</i>
Balance as of January 28, 2017	64,253	\$ 643	\$ 338,075	(28,137)	\$(230,144)	\$ (802)	\$ 90,164	\$ 197,936
Net Loss	—	—	—	—	—	—	(42,553)	(42,553)
Pension actuarial loss adjustment	—	—	—	—	—	(196)	—	(196)
Vested restricted shares	50	—	(39)	(20)	(1)	—	—	(40)
Common stock issued in the acquisition of etailz	2	—	—	—	—	—	—	—
Amortization of unearned compensation/restricted stock amortization	—	—	3,067	—	—	—	—	3,067
Balance as of February 3, 2018	64,305	\$ 643	\$ 341,103	(28,157)	\$(230,145)	\$ (998)	\$ 47,611	\$ 158,214
Decrease to opening balance of Retained Earnings as a result of applying ASU 2014-09	—	—	—	—	—	—	(456)	(456)
Net Loss	—	—	—	—	—	—	(97,382)	(97,382)
Pension actuarial income adjustment	—	—	—	—	—	263	—	263
Vested restricted shares	—	—	—	(21)	(21)	—	—	(21)
Common stock issued-new grants	132	1	79	—	—	—	—	80
Amortization of unearned compensation/restricted stock amortization	—	—	3,032	—	—	—	—	3,032
Balance as of February 2, 2019	64,437	\$ 644	\$ 344,214	\$(28,178)	\$(230,166)	\$ (735)	\$ (50,227)	\$ 63,730

See Accompanying Notes to Consolidated Financial Statements.

TRANS WORLD ENTERTAINMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Fiscal Year Ended	
	February 2, 2019	February 3, 2018
OPERATING ACTIVITIES:		
Net loss	(\$ 97,382)	(\$ 42,553)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of fixed assets	5,226	10,272
Amortization of intangible assets	3,890	3,890
Amortization of lease valuations	—	(20)
Stock based compensation	3,032	3,067
Treasury stock received for payment of withholding tax on exercises of RSUs	(21)	—
Adjustment to contingent consideration	(272)	(3,280)
Loss on disposal of fixed assets	422	579
Loss on impairment of goodwill and long lived assets	59,658	29,107
Change in cash surrender value	78	(399)
Gain on life insurance asset	—	(8,733)
Changes in operating assets and liabilities that provide (use) cash:		
Accounts receivable	(914)	2,616
Merchandise inventory	14,535	16,892
Prepaid expenses and other current assets	319	1,295
Other long-term assets	6	(668)
Accounts payable	(7,451)	(10,527)
Accrued expenses and other current liabilities	(1,134)	1,648
Deferred revenue	(1,509)	(1,293)
Other long-term liabilities	(4,001)	(1,906)
Net cash used in operating activities	<u>(25,518)</u>	<u>(13)</u>
INVESTING ACTIVITIES:		
Purchases of fixed assets	(3,689)	(8,407)
Proceeds from company owned life insurance	—	14,363
Investment in joint venture	—	(2,575)
Capital distributions from joint venture	1,347	1,101
Net cash (used in) provided by investing activities	<u>(2,342)</u>	<u>4,482</u>
FINANCING ACTIVITIES:		
Exercise of equity awards, net of treasury shares received	80	—
Vesting of long term equity awards	—	(39)
Payments of long term borrowings	(35,734)	(11,657)
Proceeds from long term borrowings	35,734	11,657
Payments to etailz shareholders	(1,500)	(5,000)
Purchase of treasury stock	—	(1)
Net cash used in financing activities	<u>(1,420)</u>	<u>(5,040)</u>
Net decrease in cash, cash equivalents, and restricted cash	(29,280)	(571)
Cash, cash equivalents, and restricted cash, beginning of year	43,506	44,077
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 14,226</u>	<u>\$ 43,506</u>
Supplemental disclosures and non-cash investing and financing activities:		
Interest paid	\$ 723	\$ 332
Issuance of restricted performance based awards / deferred / restricted shares under deferred / restricted stock agreements	109	120

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