

J.CREW GROUP, INC.
Consolidated Balance Sheets
(in thousands, except share data)

	January 30, 2016	January 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 87,812	\$ 111,097
Merchandise inventories	372,410	367,851
Prepaid expenses and other current assets	65,605	60,734
Total current assets	<u>525,827</u>	<u>539,682</u>
Property and equipment, at cost	645,065	593,410
Less accumulated depreciation	<u>(246,821)</u>	<u>(188,958)</u>
Property and equipment, net	<u>398,244</u>	<u>404,452</u>
Deferred financing costs, net	19,109	22,883
Intangible assets, net	460,744	836,608
Goodwill	107,900	1,124,715
Other assets	4,453	3,993
Total assets	<u><u>\$ 1,516,277</u></u>	<u><u>\$ 2,932,333</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 248,342	\$ 244,367
Other current liabilities	157,765	155,697
Interest payable	5,279	5,408
Income taxes payable	7,086	3,192
Current portion of long-term debt	15,670	15,670
Total current liabilities	<u>434,142</u>	<u>424,334</u>
Long-term debt, net	1,518,218	1,532,769
Lease-related deferred credits, net	131,812	112,153
Deferred income taxes, net	148,819	304,487
Other liabilities	52,273	42,566
Total liabilities	<u>2,285,264</u>	<u>2,416,309</u>
Stockholders' equity:		
Common stock \$0.01 par value; 1,000 shares authorized, issued and outstanding	—	—
Additional paid-in capital	979,333	1,014,930
Accumulated other comprehensive loss	(16,791)	(10,053)
Accumulated deficit	<u>(1,731,529)</u>	<u>(488,853)</u>
Total stockholders' equity (deficit)	<u>(768,987)</u>	<u>516,024</u>
Total liabilities and stockholders' equity	<u><u>\$ 1,516,277</u></u>	<u><u>\$ 2,932,333</u></u>

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

J.CREW GROUP, INC.

Consolidated Statements of Operations and Comprehensive Income (Loss)
(in thousands)

	For the Year Ended		
	January 30, 2016	January 31, 2015	February 1, 2014
Revenues:			
Net sales	\$ 2,447,692	\$ 2,540,449	\$ 2,394,085
Other	58,135	39,246	34,172
Total revenues	<u>2,505,827</u>	<u>2,579,695</u>	<u>2,428,257</u>
Cost of goods sold, including buying and occupancy costs	<u>1,610,256</u>	<u>1,608,777</u>	<u>1,422,143</u>
Gross profit	895,571	970,918	1,006,114
Selling, general and administrative expenses	834,137	845,953	754,345
Impairment losses	1,381,642	709,985	1,874
Income (loss) from operations	<u>(1,320,208)</u>	<u>(585,020)</u>	<u>249,895</u>
Interest expense, net	69,801	74,352	104,221
Loss on refinancings	—	58,960	—
Income (loss) before income taxes	<u>(1,390,009)</u>	<u>(718,332)</u>	<u>145,674</u>
Provision (benefit) for income taxes	<u>(147,333)</u>	<u>(60,559)</u>	<u>57,550</u>
Net income (loss)	<u>\$ (1,242,676)</u>	<u>\$ (657,773)</u>	<u>\$ 88,124</u>
Other comprehensive income (loss):			
Reclassification of realized losses on cash flow hedges, net of tax, to earnings	74	13,652	7,339
Unrealized loss on cash flow hedge, net of tax	(7,012)	(10,634)	(802)
Foreign currency translation adjustments	200	2,113	(1,532)
Comprehensive income (loss)	<u>\$ (1,249,414)</u>	<u>\$ (652,642)</u>	<u>\$ 93,129</u>

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J.CREW GROUP, INC.
Consolidated Statements of Cash Flows
(in thousands)

	For the Year Ended		
	January 30, 2016	January 31, 2015	February 1, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ (1,242,676)	\$ (657,773)	\$ 88,124
Adjustments to reconcile to cash flows from operating activities:			
Impairment losses	1,381,642	709,985	1,874
Depreciation of property and equipment	103,966	93,458	77,520
Amortization of intangible assets	15,559	15,944	17,886
Amortization of deferred financing costs and debt discount	5,030	5,657	9,940
Share-based compensation	2,580	5,968	5,784
Foreign currency transaction losses	2,027	5,480	389
Realized hedging losses	119	—	12,131
Loss on refinancings	—	58,960	—
Excess tax benefits from share-based awards	—	(8)	(728)
Deferred income taxes	(151,232)	(75,015)	(5,234)
Changes in operating assets and liabilities:			
Merchandise inventories	(5,351)	(15,071)	(88,935)
Prepaid expenses and other current assets	(4,265)	(4,585)	(5,280)
Other assets	(701)	(832)	(2,021)
Accounts payable and other liabilities	16,910	4,934	108,658
Federal and state income taxes	11,945	11,016	12,417
Net cash provided by operating activities	<u>135,553</u>	<u>158,118</u>	<u>232,525</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(103,657)	(127,874)	(131,440)
Other investing activities	—	(4,817)	—
Net cash used in investing activities	<u>(103,657)</u>	<u>(132,691)</u>	<u>(131,440)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from Term Loan Facility, net of discount	—	1,559,165	—
Repayments of former term loan	—	(1,167,000)	—
Redemption of Senior Notes	—	(400,000)	—
Costs paid in connection with refinancings of debt	(137)	(22,182)	—
Dividend and contribution to Parent	(38,177)	(27,730)	(712)
Excess tax benefit from share-based awards	—	8	728
Principal repayments of Term Loan Facility	(15,670)	(11,753)	(12,000)
Net cash used in financing activities	<u>(53,984)</u>	<u>(69,492)</u>	<u>(11,984)</u>
Effects of changes in foreign exchange rates on cash and cash equivalents	(1,197)	(1,487)	(851)
Increase (decrease) in cash and cash equivalents	(23,285)	(45,552)	88,250
Beginning balance	111,097	156,649	68,399
Ending balance	<u>\$ 87,812</u>	<u>\$ 111,097</u>	<u>\$ 156,649</u>
Supplemental cash flow information:			
Income taxes paid	\$ 1,328	\$ 3,985	\$ 53,427
Interest paid	\$ 73,923	\$ 92,973	\$ 92,195

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