

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

	January 28, 2017	January 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 132,226	\$ 87,812
Merchandise inventories	314,492	372,410
Prepaid expenses and other current assets	59,494	65,605
Total current assets	<u>506,212</u>	<u>525,827</u>
Property and equipment, at cost	642,339	645,065
Less accumulated depreciation	<u>(280,152)</u>	<u>(246,821)</u>
Property and equipment, net	<u>362,187</u>	<u>398,244</u>
Intangible assets, net	450,204	460,744
Goodwill	107,900	107,900
Other assets	6,207	7,261
Total assets	<u>\$ 1,432,710</u>	<u>\$ 1,499,976</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 194,494	\$ 248,342
Other current liabilities	157,141	157,765
Interest payable	7,977	5,279
Income taxes payable to Parent	25,215	7,086
Current portion of long-term debt	15,670	15,670
Total current liabilities	<u>400,497</u>	<u>434,142</u>
Long-term debt, net	1,494,490	1,501,917
Lease-related deferred credits, net	132,566	131,812
Deferred income taxes, net	148,200	148,819
Other liabilities	43,168	52,273
Total liabilities	<u>2,218,921</u>	<u>2,268,963</u>
Stockholders' deficit:		
Common stock \$0.01 par value; 1,000 shares authorized, issued and outstanding	—	—
Additional paid-in capital	980,368	979,333
Accumulated other comprehensive loss	(11,536)	(16,791)
Accumulated deficit	<u>(1,755,043)</u>	<u>(1,731,529)</u>
Total stockholders' deficit	<u>(786,211)</u>	<u>(768,987)</u>
Total liabilities and stockholders' deficit	<u>\$ 1,432,710</u>	<u>\$ 1,499,976</u>

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

J.CREW GROUP, INC.

Consolidated Statements of Operations and Comprehensive Loss
(in thousands)

	For the Year Ended		
	January 28, 2017	January 30, 2016	January 31, 2015
Revenues:			
Net sales	\$ 2,359,622	\$ 2,447,692	\$ 2,540,449
Other	65,840	58,135	39,246
Total revenues	2,425,462	2,505,827	2,579,695
Cost of goods sold, including buying and occupancy costs	1,550,185	1,610,256	1,608,777
Gross profit	875,277	895,571	970,918
Selling, general and administrative expenses	818,546	834,137	845,953
Impairment losses	7,752	1,381,642	709,985
Income (loss) from operations	48,979	(1,320,208)	(585,020)
Interest expense, net	79,359	69,801	74,352
Loss on refinancings	435	—	58,960
Loss before income taxes	(30,815)	(1,390,009)	(718,332)
Benefit for income taxes	(7,301)	(147,333)	(60,559)
Net loss	<u>\$ (23,514)</u>	<u>\$ (1,242,676)</u>	<u>\$ (657,773)</u>
Other comprehensive income (loss):			
Reclassification of losses on cash flow hedges, net of tax, to earnings	6,387	74	13,652
Unrealized gain (loss) on cash flow hedges, net of tax	449	(7,012)	(10,634)
Foreign currency translation adjustments	(1,581)	200	2,113
Comprehensive loss	<u>\$ (18,259)</u>	<u>\$ (1,249,414)</u>	<u>\$ (652,642)</u>

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

	For the Year Ended		
	January 28, 2017	January 30, 2016	January 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (23,514)	\$ (1,242,676)	\$ (657,773)
Adjustments to reconcile to cash flows from operating activities:			
Depreciation of property and equipment	109,503	103,966	93,458
Amortization of intangible assets	10,540	15,559	15,944
Reclassification of hedging losses to earnings	10,470	119	—
Impairment losses	7,752	1,381,642	709,985
Amortization of deferred financing costs and debt discount	5,021	5,030	5,657
Share-based compensation	1,035	2,580	5,968
Loss on refinancings	435	—	58,960
Excess tax benefit from share-based awards	—	—	(8)
Foreign currency transaction (gains) losses	(1,539)	2,027	5,480
Deferred income taxes	(5,140)	(151,232)	(75,015)
Changes in operating assets and liabilities:			
Merchandise inventories	57,798	(5,351)	(15,071)
Prepaid expenses and other current assets	5,989	(4,265)	(4,585)
Other assets	741	(701)	(832)
Accounts payable and other liabilities	(62,965)	16,910	4,934
Federal and state income taxes	21,707	11,945	11,016
Net cash provided by operating activities	<u>137,833</u>	<u>135,553</u>	<u>158,118</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(80,140)	(103,657)	(127,874)
Other investing activities	—	—	(4,817)
Net cash used in investing activities	<u>(80,140)</u>	<u>(103,657)</u>	<u>(132,691)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal repayments of Term Loan Facility	(11,753)	(15,670)	(11,753)
Cost paid in connection with refinancings of debt	(1,099)	(137)	(22,182)
Dividend and contribution to Parent	—	(38,177)	(27,730)
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)
Excess tax benefit from share-based awards	—	—	8
Net cash used in financing activities	<u>(12,852)</u>	<u>(53,984)</u>	<u>(69,492)</u>
Effect of changes in foreign exchange rates on cash and cash equivalents	<u>(427)</u>	<u>(1,197)</u>	<u>(1,487)</u>
Increase (decrease) in cash and cash equivalents	44,414	(23,285)	(45,552)
Beginning balance	87,812	111,097	156,649
Ending balance	<u>\$ 132,226</u>	<u>\$ 87,812</u>	<u>\$ 111,097</u>
Supplemental cash flow information:			
Income taxes paid	<u>\$ 1,245</u>	<u>\$ 1,328</u>	<u>\$ 3,985</u>
Interest paid	<u>\$ 72,558</u>	<u>\$ 73,923</u>	<u>\$ 92,973</u>

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