FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

For the quarterly period ended July 29, 2000

Commission file number 333-42427

J. CREW GROUP, INC.
(Exact name of registrant as specified in its charter)

New York	22-2894486
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

770 Broadway, New York, New York 10003
(Address of principal executive offices)
(Zip code)

(212) 209-2500
(Registrant's telephone number, including area code)

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 x No __

As of August 25, 2000 there were outstanding 11,726,865 shares of Common Stock, par value $.01 per share.

Part I - Financial Information

Item I. Financial Statements

J. CREW GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

Assets	July 29, 2000 (unaudited)	January 29, 2000
	(in thousands)	
Current assets:		
Cash and cash equivalents	$ 12,930	$ 38,693
Merchandise inventories	145,117	129,928
Prepaid expenses and other current assets	24,405	30,083
Net assets held for disposal	5,440	8,927
Total current assets	187,892	207,631
Property and equipment - at cost	240,505	216,083
Less accumulated depreciation and amortization	(90,832)	(77,683)
	149,673	138,400
Deferred income tax assets	14,830	14,830
Other assets	11,922	12,743
Total assets	$ 364,317	$ 373,604

Liabilities and Stockholders' Deficit	July 29, 2000	January 29, 2000
Current liabilities:		
Notes payable - bank	$ 1,000	$ --
Accounts payable and other current liabilities	119,201	111,173
Federal and state income taxes	3,553	14,687
Deferred income tax liabilities	5,842	5,842
Total current liabilities	129,596	131,702
Long-term debt	287,272	284,684
Deferred credits and other long-term liabilities	48,448	48,277
Redeemable preferred stock	186,309	173,534
Stockholders' deficit	(287,308)	(264,593)
Total liabilities and stockholders' deficit	$ 364,317	$ 373,604

See notes to unaudited condensed consolidated financial statements.

J. CREW GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Twenty-six weeks ended July 29, 2000	Twenty-six weeks ended July 31, 1999
	(unaudited) (in thousands)	
Revenues:		
Net sales	$320,260	$290,292
Other	1,373	1,393
	321,633	291,685
Cost of goods sold including buying and occupancy costs	176,800	166,281
Selling, general and administrative expenses	143,983	131,480
Income/(loss) from operations	850	(6,076)
Interest expense - net	(18,020)	(18,753)
Loss before income taxes	(17,170)	(24,829)
Income tax benefit	6,900	10,150
Net loss	$(10,270)	$(14,679)

See notes to unaudited condensed consolidated financial statements.

J. CREW GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Thirteen weeks ended July 29, 2000	Thirteen weeks ended July 31, 1999
	(unaudited) (in thousands)	
Revenues:		
Net sales	$162,228	$148,012
Other	596	698
	162,824	148,710
Cost of goods sold including buying and occupancy costs	91,321	87,363
Selling, general and administrative expenses	70,821	63,307
Income/(loss) from operations	682	(1,960)
Interest expense - net	(9,182)	(9,509)
Loss before income taxes	(8,500)	(11,469)
Income tax benefit	3,430	4,800
Net loss	$ (5,070)	$ (6,669)

See notes to unaudited condensed consolidated financial statements.

J. CREW GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

	Twenty-six weeks ended	
	July 29, 2000	July 31, 1999
	(unaudited) (in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES:		
Net loss	$(10,270)	$(14,679)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	10,505	7,988
Writeoff of software development costs	--	750
Amortization of deferred financing costs	1,100	1,100
Amortization of restricted stock	330	330
Noncash interest expense	6,588	5,805
Changes in operating assets and liabilities:		
Merchandise inventories	(15,189)	(5,394)
Prepaid expenses and other current assets	5,678	8,696
Other assets	(352)	(564)
Net assets held for disposal	3,487	(1,096)
Accounts payable and other liabilities	7,399	141
Federal and state income taxes	(11,134)	(2,109)
Net cash (used in) provided by operating activities	(1,858)	968
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures	(24,422)	(21,601)
Proceeds from construction allowances	3,517	4,940
Net cash used in investing activities	(20,905)	(16,661)
CASH FLOW FROM FINANCING ACTIVITIES:		
Increase in notes payable, bank	1,000	22,000
Repayment of long-term debt	(4,000)	--
Net cash (used in)/provided by financing activities	(3,000)	22,000
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(25,763)	6,307
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	38,693	9,643
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 12,930	$ 15,950
NON-CASH FINANCING ACTIVITIES:		
Dividends on preferred stock	$ 12,775	$ 11,092

See notes to unaudited condensed consolidated financial statements.

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Thirteen and twenty-six weeks ended July 29, 2000 and July 31, 1999

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of J. Crew Group, Inc. and its wholly-owned subsidiaries (collectively, the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

The condensed consolidated balance sheet as of July 29, 2000 and the condensed consolidated statements of operations and cash flows for the thirteen and twenty-six week periods ended July 29, 2000 and July 31, 1999 have been prepared by the Company and have not been audited. In the opinion of management, all adjustments, consisting of only normal recurring adjustments necessary for the fair presentation of the financial position of the Company, the results of its operations and cash flows have been made.

Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's consolidated financial statements for the fiscal year ended January 29, 2000.

The revenues and expenses of the discontinued Clifford and Wills catalog and outlet store operations for the thirteen and twenty-six week period ended July 29, 2000 and July 31, 1999 were not material and, as a result, have been netted in the accompanying consolidated statement of operations. In February 2000 the Company sold certain intellectual property assets of Clifford and Wills, Inc. to Spiegel Catalog, Inc. for $3.9 million. In connection with this sale, the Company agreed to cease the fulfillment of catalog orders but retained the right to operate its outlet stores and conduct other liquidation sales of inventories through December 31, 2000.

The results of operations for the twenty-six week period ended July 29, 2000 are not necessarily indicative of the operating results for the full fiscal year.

Forward-looking statements

Certain statements in this Report on Form 10-Q constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. We may also make written or oral forward-looking statements in our periodic reports to the Securities and Exchange Commission on Forms 10-K, 10-Q, 8-K, etc., in press releases and other written materials and in oral statements made by our officers, directors or employees to third parties. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company, or industry results, to differ materially from historical results, any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to, competitive pressures in the apparel industry, changes in levels of consumer spending or preferences in apparel and acceptance by customers of the Company's products, overall economic conditions, governmental regulations and trade restrictions, political or financial instability in the countries where the Company's goods are manufactured, postal rate increases, paper and printing costs, the level of the Company's indebtedness and exposure to interest rate fluctuations, and other risks and uncertainties described in this report and the Company's other reports and documents filed or which may be filed, from time to time, with the Securities and Exchange Commission. These statements are based on current plans, estimates and projections, and therefore, you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made and we undertake no obligation to update publicly any of them in light of new information or future events.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS - THIRTEEN WEEKS ENDED JULY 29, 2000 VERSUS THIRTEEN WEEKS ENDED JULY 31, 1999.

Consolidated revenues increased from $148.7 million in the thirteen weeks ended July 31, 1999 to $162.8 million for the thirteen weeks ended July 29, 2000. This increase can be attributed to an increase of $15.8 million in J.Crew Retail revenues.

The revenues of J.Crew Retail increased from $71.4 million in the second quarter of 1999 to $87.2 million in the second quarter of 2000. This increase was due primarily to the sales from new stores opened for less than a full year. Comparable store sales in the second quarter of 2000 increased by 3.7%. The number of stores open at July 29, 2000 increased to 88 from 83 at April 29,2000.

The revenues of J.Crew Direct (which includes the catalog and Internet operations) decreased from $51.0 million in the second quarter of 1999 to $50.8 million in the second quarter of 2000. Revenues from jcrew.com increased to $17.6 million in second quarter of 2000 from $9.4 million in the second quarter of 1999. Catalog revenues in the second quarter of 2000 decreased to $33.2 million from $41.6 million in the second quarter of 1999, as the Company continued to migrate customers to the Internet. Pages circulated were approximately the same in both periods.

The revenues of J.Crew Factory decreased from $25.6 million in the second quarter of 1999 to $24.2 million in the second quarter of 2000. There were 42 stores open during the second quarter of 2000 compared to 45 stores during the second quarter of 1999, which accounted for this decrease.

Cost of goods sold, including buying and occupancy costs, decreased as a percentage of revenues from 58.7% in the second quarter of 1999 to 56.1% in the second quarter of 2000. This decrease is attributable primarily to an increase in initial mark-up in the second quarter of 2000 compared to the second quarter of 1999.

Selling, general and administrative expenses increased from $63.3 million in the second quarter of 1999 to $70.8 million in the second quarter of 2000. This increase resulted from an increase in general and administrative expenses of $6.5 million and an increase in selling expense of $1.0 million. The increase in general and administrative expenses was due primarily to the increase in the number of retail stores in operation during the second quarter of 2000 compared to the second quarter of 1999 and an increase in the bonus provision in the second quarter of 2000. The increase in selling expense from the second quarter of 1999 to the second quarter of 2000 resulted from higher catalog costs in the second quarter of 2000. As a percentage of revenues, selling, general and administrative expenses increased from 42.6% in the second quarter of 1999 to 43.5% of revenues in the second quarter of 2000.

The decrease in interest expense from $9.5 million in the second quarter of 1999 to $9.2 million in the second quarter of 2000 resulted primarily from the repayment of $14 million of the term loan and a decrease in average borrowings under revolving credit arrangements from $34.3 million in the second quarter of 1999 to $7.9 million in the second quarter of 2000. Non-cash interest expense increased to $3.8 million in the second quarter of 2000 from $3.4 million in the second quarter of 1999.

The decrease in the loss before income taxes from $11.5 million in the thirteen weeks ended July 31, 1999 to $8.5 million in the thirteen weeks ended July 29, 2000 resulted primarily from the improvement in sales volume and merchandising margin.

RESULTS OF OPERATIONS - TWENTY-SIX WEEKS ENDED JULY 29, 2000 VERSUS TWENTY-SIX WEEKS ENDED JULY 31, 1999.

Consolidated revenues for the six months ended July 29, 2000 increased to $321.6 million from $291.7 million in the six months ended July 31, 1999. This increase was due primarily to an increase of $29.9 million in J.Crew Retail revenues.

Revenues of J.Crew Retail increased from $136.0 million in the six months ended July 31, 1999 to $165.9 million in the six months ended July 29, 2000. This increase was due primarily to the sales from the new stores opened for less than a full year. Comparable stores sales in the six months ended July 29, 2000 increased by 3.5%. The number of stores open at July 29, 2000 increased to 88 from 81 at January 29, 2000.

Revenues of J.Crew Direct (which includes the catalog and Internet operations) increased from $109.7 million in the six months ended July 31, 1999 to $111.0 million in the six months ended July 31, 2000. Revenues from jcrew.com increased to $37.0 million in the six months ended July 29, 2000 from $19.3 million in the six months ended July 31, 1999. Catalog revenues decreased from $90.4 million in the first six months of 1999 to $74.0 million in the first six months of 2000 as the Company continued to migrate customers to the Internet. Pages circulated were approximately the same in both periods.

Revenues of J.Crew Factory decreased from $44.6 million in the six months ended July 31, 1999 to $43.4 million in the six months ended July 29, 2000. There were 42 stores open during the first six months of 2000 compared to 45 stores in the same period last year, which accounted for this decrease.

Costs of good sold, including buying and occupancy costs, decreased as a percentage of revenues from 57.0% in the six months ended July 31, 1999 to 55.0% in the six months ended July 29, 2000. This decrease resulted primarily from an increase in initial mark-up in the first six months of 2000 compared to the first six months of 1999.

Selling, general and administrative expenses increased from $131.5 million in the six months ended July 31, 1999 to $144.0 million in the six months ended July 29, 2000. This increase resulted from an increase in general and administrative expenses of $15.1 million due to the increase in the number of retail stores in operation during the six months ended July 29, 2000 compared to the six months ended July 31, 1999 and an increase in the bonus provision in the second quarter of 2000.

Selling expenses were $28.0 million for the six months ended July 29, 2000 compared to $30.6 million for the six months ended July 31, 1999. The decrease in selling expenses resulted from higher catalog costs in the six months ended July 31, 1999. As a percentage of revenues, selling, general and administrative expense decreased to 44.8% of revenues in the six months ended July 29, 2000 from 45.1% in the six months ended July 31, 1999.

The decrease in interest expense from $18.8 million in the six months ended July 31, 1999 to $18.0 million in the six months ended July 29, 2000 resulted primarily from the pay down of $14.0 million of the term loan and a decrease in average borrowings from $30.4 million in the six months ended July 31, 1999 to $4.8 million in the six months ended July 29, 2000. Non cash interest expense increased to $7.7 million in the six months ended July 29, 2000 from $6.9 million in the same period last year.

The decrease in the loss before income taxes from $24.8 million in the six months ended July 31, 1999 to $17.2 million in the six months ended July 29, 2000 resulted primarily from the improvement in sales volume and merchandising margin.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operations decreased from a source of $1.0 million in the twenty-six weeks ended July 31, 1999 to a use of $1.9 million in the twenty-six weeks ended July 29, 2000. This decrease in cash provided from operations resulted primarily from a change in the increase in inventories of $9.8 million in the first six months of 2000 and the receipt of an income tax refund of $8.4 million in 1999 offset by a decrease in the net loss for the first six months of 2000 of $4.4 million, a change in the increase in accounts payable and other liabilities of $7.3 million, and a change in net assets held for disposal of $4.6 million.

Capital expenditures, net of construction allowances, were $20.9 million in the first six months of 2000 compared to $16.7 million in the first six months of 1999. These expenditures were incurred primarily in connection with the construction of new stores and systems enhancements.

Borrowings under the revolving credit line decreased from $36.0 million at July 31, 1999 to $1.0 million at July 29, 2000. During the twenty-six weeks ended July 29, 2000 the Company paid down $4.0 million of the term loan, reducing the balance to $30.0 million at July 29, 2000.

Management believes that cash flow from operations and availability under the revolving credit facility will provide adequate funds for the Company's foreseeable working capital needs, planned capital expenditures and debt service obligations. The Company's ability to fund its operations and make planned capital expenditures, to make scheduled debt payments, to refinance indebtedness and to remain in compliance with all of the financial covenants under its debt agreements depends on its future operating performance and cash flow, which in turn, are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond its control.

YEAR 2000

The Company completed its year 2000 software program conversions and compliance programs during the fourth quarter of 1999. Total external costs for such programs were approximately $2.6 million. The Company has not experienced any material Year 2000 problems subsequent to December 31, 1999. The Company will continue to monitor its compliance and the compliance of its third party suppliers whose operations are material to its business.

SEASONALITY

The Company experiences two distinct selling seasons, spring and fall. The spring season is comprised of the first and second quarters and the fall season is comprised of the third and fourth quarters. Net sales are usually substantially higher in the fall season and selling, general and administrative expenses as a percentage of net sales are usually higher in the spring season. Approximately 35% of annual net sales in fiscal year 1999 occurred in the fourth quarter. The Company's working capital requirements also fluctuate throughout the year, increasing substantially in September and October in anticipation of the holiday season inventory requirements.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company's principal market risk relates to interest rate sensitivity, which is the risk that future changes in interest rates will reduce net income or the net assets of the Company. The Company's variable rate debt consists of borrowings under the Revolving Credit Facility and the Term Loan Facility. In order to manage this interest rate risk, the Company entered into an interest rate swap agreement which expires in October 2000 which converts the variable interest rate for $50 million of debt to a fixed rate of 6.23%. If this interest rate swap agreement was settled on July 29, 2000 the Company would have received $66,000.

The Company enters into letters of credit to facilitate the international purchase of merchandise. The letters of credit are primarily denominated in U.S. dollars. Outstanding letters of credit at July 29, 2000 were approximately $57.1 million.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

10. Amendment dated July 24, 2000 to the 1997 Stock Option Plan of Registrant.

27. Financial Data Schedule.

(b) Reports on Form 8-K.

No reports on Form 8-K were filed during the period covered by this Report.

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.

J. CREW GROUP, INC.
(Registrant)

Date: September 8, 2000 By: /s/ Mark Sarvary

Mark Sarvary
Chief Executive Officer

Date: September 8, 2000 By: /s/ Scott M. Rosen

Scott M. Rosen
Chief Financial Officer

Exhibit 10

FIFTH INSTRUMENT OF AMENDMENT

WHEREAS, J. Crew Group, Inc. (the "Company") maintains the J. Crew Group, Inc. 1997 Stock Option Plan (the "Plan");

WHEREAS, Section 4.12 of the Plan provides that the Plan may be amended by the Committee at any time, with exceptions not here material;

WHEREAS, the Committee wishes to amend the Plan, subject to shareholder approval, to increase the number of shares of common stock reserved for issuance upon exercise of options awarded under the Plan;

WHEREAS, all defined terms used herein shall have the meaning set forth in the Plan unless specifically defined herein;

NOW, THEREFORE, the Plan is hereby amended, subject to shareholder approval, as follows:

1. The reference to "1,810,000 shares of Common Stock" in the first sentence of Section 4 of the Plan shall be replaced with a reference to "1,910,000 shares of Common Stock".

July 24, 2000

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE J. CREW GROUP, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF OPERATIONS FOR THE SIX MONTHS AND THREE MONTHS ENDED JULY 29, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

6-MOS	3-MOS
FEB-03-2001	FEB-03-2001
JUL-29-2000	JUL-29-2000
12,930	0
0	0
0	0
0	0
145,117	0
187,892	0
240,505	0
(90,832)	0
364,317	0
129,596	0
287,272	0
186,309	0
0	0
0	0
(287,308)	0
364,317	0
320,260	162,228
321,633	162,824
176,800	91,321
320,783	162,142
0	0
0	0
18,020	9,182
(17,170)	(8,500)
6,900	3,430
(10,270)	(5,070)
0	0
0	0
0	0
(10,270)	(5,070)
0	0
0	0