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 November 3, 2001

IRS Employer Identification No.	Exact name of Registrant, State of Incorporation; Address of Principal Executive Offices; and Telephone Number
22-2894486	J. CREW GROUP, INC. (A New York corporation) 770 Broadway New York, New York 10003 (212) 209-2500
22-3540930	J. CREW OPERATING CORP. (A Delaware corporation) 770 Broadway New York, New York 10003 (212) 209-2500

Indicate by check mark whether the registrants (1) have 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 registrants were required to file such reports) and (2) have been subject to such filing requirements for the past 90 days. Yes x No __

J. Crew Operating Corp. meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this Form with the reduced disclosure format.

The number of shares of Common Stock outstanding of each of the issuers as of November 30, 2001

J. CREW GROUP,INC.
11,743,265 shares of Common Stock, par value $.01 per share

J. CREW OPERATING CORP.
100 shares of Common Stock, par value $.01 per share (all of which are owned beneficially and of record by J. Crew Group, Inc.)

This combined Form 10-Q is separately filed by each of J. Crew Group, Inc. and J. Crew Operating Corp. The information contained herein relating to each individual registrant is filed by such registrant on its own behalf. No registrant makes any representation as to information relating to any other registrant.

Part I - Financial Information

Item I. Financial Statements

J. CREW GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

Assets	November 3, 2001 (unaudited)	February 3, 2001
	(in thousands)	
Current assets:		
Cash and cash equivalents	$ 34,987	$ 32,930
Merchandise inventories	173,449	140,667
Prepaid expenses and other current assets	37,018	23,740
Federal and state income taxes	850	--
Total current assets	246,304	197,337
Property and equipment - at cost	299,123	251,322
Less accumulated depreciation and amortization	(108,514)	(85,746)
	190,609	165,576
Deferred income tax assets	14,362	14,362
Other assets	13,796	12,586
Total assets	$ 465,071	$ 389,861
Liabilities and Stockholders' Deficit		
Current liabilities:		
Notes payable - bank	$ 95,000	$ --
Accounts payable and other current liabilities	119,247	124,873
Federal and state income taxes	--	17,581
Deferred income tax liabilities	5,401	5,401
Total current liabilities	219,648	147,855
Long-term debt	275,646	264,292
Deferred credits and other long-term liabilities	65,260	56,043
Redeemable preferred stock	222,504	200,018
Stockholders' deficit	(317,987)	(278,347)
Total liabilities and stockholders' deficit	$ 465,071	$ 389,861

See notes to unaudited condensed consolidated financial statements.

J. CREW GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Thirty-nine weeks ended November 3, 2001	Thirty-nine weeks ended October 28, 2000
	(unaudited) (in thousands)	
Revenues:		
Net sales	$ 506,534	$ 514,231
Other	24,798	25,102
	531,332	539,333
Cost of goods sold including buying and occupancy costs	320,093	305,733
Selling, general and administrative expenses	213,479	216,000
Income/(loss) from operations	(2,240)	17,600
Interest expense - net	(27,450)	(27,233)
Loss before income taxes	(29,690)	(9,633)
Income tax benefit	12,040	3,900
Net loss	$ (17,650)	$ (5,733)

See notes to unaudited condensed consolidated financial statements.

J. CREW GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Thirteen weeks ended November 3, 2001	Thirteen weeks ended October 28, 2000
	(unaudited) (in thousands)	
Revenues:		
Net sales	$ 187,116	$ 193,971
Other	8,470	8,307
	195,586	202,278
Cost of goods sold including buying and occupancy costs	113,137	112,511
Selling, general and administrative expenses	72,430	73,017
Income from operations	10,019	16,750
Interest expense - net	(9,603)	(9,213)
Income before income taxes	416	7,537
Provision for income taxes	(160)	(3,000)
Net income	$ 256	$ 4,537

See notes to unaudited condensed consolidated financial statements.

J. CREW GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

	Thirty-nine weeks ended	
	November 3, 2001	October 28, 2000
	(unaudited) (in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES:		
Net loss	$(17,650)	$ (5,733)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	22,707	15,993
Amortization of deferred financing costs	1,498	1,647
Non cash compensation expense	1,268	496
Non cash interest expense	11,354	10,003
Changes in operating assets and liabilities:		
Merchandise inventories	(32,782)	(34,695)
Prepaid expenses and other current assets	(13,278)	3,624
Other assets	(2,838)	(398)
Net assets held for disposal	--	4,186
Accounts payable and other liabilities	(5,873)	(4,145)
Federal and state income taxes	(18,431)	(8,137)
Net cash used in operating activities	(54,025)	(17,159)
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures	(54,264)	(39,560)
Proceeds from construction allowances	15,346	11,776
Net cash used in investing activities	(38,918)	(27,784)
CASH FLOW FROM FINANCING ACTIVITIES:		
Increase in notes payable, bank	95,000	32,000
Repayment of long-term debt	--	(4,000)
Other	--	(13)
Net cash provided by financing activities	95,000	27,987
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,057	(16,956)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	32,930	38,693
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 34,987	$ 21,737
NON-CASH FINANCING ACTIVITIES:		
Dividends on preferred stock	$ 22,486	$ 19,508

See notes to unaudited condensed consolidated financial statements.

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Thirteen and thirty-nine weeks ended November 3, 2001 and October 28, 2000

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 November 3, 2001 and the condensed consolidated statements of operations and cash flows for the thirteen and thirty-nine week periods ended November 3, 2001 and October 28, 2000 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 accounting principles generally accepted in the United States of America 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 February 3, 2001.

The results of operations for the thirty-nine week period ended November 3, 2001 are not necessarily indicative of the operating results for the full fiscal year.

2. Reclassification

Prior year amounts, as previously reported in the statement of operations, have been restated for the reclassification of shipping and handling fees and related handling costs. Shipping and handling fees were reclassified from cost of goods sold to other revenues and handling costs were reclassified from general and administrative expenses to cost of goods sold.

3. Recent Accounting Pronouncements

Statements of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" and No. 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities", were effective at the beginning of fiscal year 2001. There was no material effect on the consolidated financial statements from the adoption of these accounting standards.

In July 2001, the FASB issued Statement of Financial Standards No. 141, "Business Combinations" and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets". SFAS 141 eliminates the pooling-of-interests method of accounting for business combinations initiated after June 30, 2001 and modifies the application of the purchase accounting method effective for transactions that are completed after June 30, 2001. SFAS 142 eliminates the requirement to amortize goodwill and intangible assets having indefinite useful lives but requires testing at least annually for impairment. Intangible assets that have finite lives will continue to be amortized over their useful lives. SFAS 142 will apply to goodwill and intangible assets arising from transactions completed before and after the Statement's effective date of January 1, 2002. These statements will have no effect on the Company's financial statements.

4. Events of September 11, 2001

The terrorist actions of September 11, 2001 resulted in the destruction of our retail store located at the World Trade Center, resulting in the loss of inventories and store fixtures, equipment and leasehold improvements. These losses and the resulting business interruption are covered by insurance policies maintained by the Company.

The statement of operations for the thirteen and thirty-nine weeks ended November 3, 2001 includes losses of $1.9 million relating to inventories and store fixtures, equipment and leasehold improvements. Insurance recoveries have been recorded in amounts equal to the carrying amount of these assets. The ultimate insurance recoveries will be based on the final sales price of the inventories and the replacement cost of the fixed assets. The estimated insurance recoveries also exclude any amounts for business interruption since this amount is not determinable at this time.

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, availability of suitable store locations at appropriate terms, 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. J.CREW GROUP, INC. - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS - THIRTEEN WEEKS ENDED NOVEMBER 3, 2001 VERSUS THIRTEEN WEEKS ENDED OCTOBER 28, 2000.

Consolidated revenues decreased from $202.3 million in the thirteen weeks ended October 28, 2000 to $195.6 million for the thirteen weeks ended November 3, 2001, a decrease of 3.3%.

The revenues of J.Crew Retail decreased from $102.8 million in the third quarter of 2000 to $96.7 million in the third quarter of 2001. This decrease was due primarily to the decrease in comparable store sales of 17.7%. The number of stores open at November 3, 2001 increased to 130 from 103 at October 28, 2000.

The revenues of J.Crew Direct (which includes the catalog and Internet operations) increased from $61.9 million in the third quarter of 2000 to $65.8 million in the third quarter of 2001. Revenues from jcrew.com increased to $32.1 million in third quarter of 2001 from $26.5 million in the third quarter of 2000. Catalog revenues in the third quarter of 2001 decreased to $33.7 million from $35.4 million in the third quarter of 2000, 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 $29.3 million in the third quarter of 2000 to $24.6 million in the third quarter of 2001. There were 41 stores open at the end of the third quarter in 2000 and 2001.

Other revenues increased from $8.3 million in the third quarter of 2000 to $8.5 million in the third quarter of 2001.

Cost of goods sold, including buying and occupancy costs, increased as a percentage of revenues to 57.8% in the third quarter of 2001 from 55.6% in the third quarter of 2000. This increase is due to additional markdowns and an increase buying and occupancy costs as a percentage of revenues in the third quarter of 2001 compared to the third quarter of 2000.

Selling, general and administrative expenses decreased from $73.0 million in the third quarter of 2000 to $72.4 million in the third quarter of 2001. This decrease resulted from a decrease in selling expense of $1.7 million and an increase in general and administrative expenses of $1.1 million. The increase in general and administrative expenses was due primarily to higher expenses as a result of the increase in the number of retail stores in operation during the third quarter of 2001 offset by a decrease in the bonus provision and the effect of the cost reduction initiatives adopted in the first quarter of 2001. The decrease in selling expense from $15.9 million in the third quarter of 2000 compared to $14.2 million in the third quarter of 2001 resulted from a decrease in catalog costs and a shift in the timing of catalog mailings which will negatively impact the fourth quarter. As a percentage of revenues, selling, general and administrative expenses increased from 36.1% in the third quarter of 2000 to 37.0% of revenues in the third quarter of 2001.

The increase in interest expense from $9.2 million in the third quarter of 2000 to $9.6 million in the third quarter of 2001 resulted primarily from an increase in non-cash interest expense from $3.9 million in the third quarter of 2000 to $4.4 million in the third quarter of 2001. Cash interest decreased by $.9 million due to the repayment of the term loan in the fourth quarter of fiscal year 2000 and a decrease in interest rates which offset the effect of an increase in averaging borrowings under the revolving credit arrangement from $19.9 million in the third quarter of 2000 to $75 million in the third quarter of 2001.

The decrease in income before income taxes from $7.5 million in the third quarter of 2000 to $.4 million in the third quarter of 2001 resulted primarily from the decline in net sales and the decrease in gross margin percentage due to an increase in markdowns.

RESULTS OF OPERATIONS - THIRTY-NINE WEEKS ENDED NOVEMBER 3, 2001 VERSUS THIRTY-NINE WEEKS ENDED OCTOBER 28, 2000.

Consolidated revenues for the thirty-nine weeks ended November 3, 2001 decreased to $ 531.3 million from $539.3 million in the thirty-nine weeks ended October 28, 2000 a decrease of 1.5%.

Revenues of J.Crew Retail increased from $268.7 million in the thirty-nine weeks ended October 28, 2000 to $272.7 million in the thirty-nine weeks ended November 3, 2001. This increase was due primarily to sales from the stores opened for less than a full year. Comparable store sales in the thirty-nine weeks ended November 3, 2001 decreased by 13.9%. The number of stores open at November 3, 2001 increased to 130 from 103 at October 28, 2000.

Revenues of J.Crew Direct (which includes the catalog and Internet operations) decreased from $172.8 million in the thirty-nine weeks ended October 28, 2000 to $166.6 million in the thirty-nine weeks ended November 3, 2001. Revenues from jcrew.com increased to $78.3 million in the thirty-nine weeks ended November 3, 2001 from $63.5 million in the thirty-nine weeks ended October 28, 2000. Catalog revenues decreased from $109.3 million in the thirty-nine weeks ended October 28, 2000 to $88.3 million in the thirty-nine weeks ended November 3, 2001 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 $72.7 million in the thirty-nine weeks ended October 28, 2000 to $67.1 million in the thirty-nine weeks ended November 3, 2001. There were 41 stores at the end of the third quarter of 2001 and 2000.

Other revenues decreased from $25.1 million in the thirty-nine weeks ended October 28, 2000 to $24.9 million in the thirty-nine weeks ended November 3, 2001.

Cost of goods sold, including buying and occupancy costs, increased as a percentage of revenues from 56.7% in the thirty-nine weeks ended October 28, 2000 to 60.2% in the thirty-nine weeks ended November 3, 2001. This increase resulted primarily from an increase in markdowns and an increase in buying and occupancy costs as a percentage of revenues in the first nine months of 2001 compared to the first nine months of 2000.

Selling, general and administrative expenses decreased from $216.0 million in the thirty-nine weeks ended October 28, 2000 to $213.5 million in the thirty-nine weeks ended November 3, 2001. This decrease resulted primarily from a decrease in selling expenses of $1.2 million and a decrease in general and administrative expenses of $1.3 million due primarily to a decrease in the bonus provision and the effects of cost reduction initiatives adopted in the first quarter of 2001 offset by higher store expenses due to an increase in the number of retail stores in operation in 2001. Selling expenses were $42.7 million for the thirty-nine weeks ended November 3, 2001 compared to $43.9 million for the thirty-nine weeks ended October 28, 2000. Selling expense was positively impacted by a decrease in catalog costs and a shift in the timing of catalog mailings in the third quarter of 2001 which will negatively impact the fourth quarter. As a percentage of revenues, selling, general and administrative expenses increased to 40.2% of revenues in the thirty-nine weeks ended November 3, 2001 from 40.0% in the six months ended October 28, 2000.

Interest expense increased from $27.2 million in the thirty-nine weeks ended October 28, 2000 to $27.5 million in the thirty-nine weeks ended November 3, 2001 due primarily to an increase in non cash interest expense from $11.6 million to $12.9 million. Cash interest decreased by $1.0 million as a result of the repayment of the term loan in the fourth quarter of fiscal year 2000 and a decrease in interest rates which offset the increase in average borrowings under the revolving credit arrangement from $9.9 million in 2000 to $42.4 million in 2001.

The decrease in income before income taxes from $17.6 million in the thirty-nine weeks ended October 28, 2000 to a loss of $2.2 million in the thirty-nine weeks ended November 3, 2001 resulted primarily from the decrease in net sales and a decrease in gross profit percentage due to an increase in markdowns.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operations decreased from a use of $17.2 million in the thirty-nine weeks ended October 28, 2000 to a use of $54.0 million in the thirty-nine weeks ended November 3, 2001. This increase in cash used in operations resulted primarily from the increase in working capital requirements in the first nine months of fiscal 2001 compared to the comparable period last year.

Capital expenditures, net of construction allowances, were $38.9 million in the thirty-nine weeks ended November 3, 2001 compared to $27.8 million for the same period last year. These expenditures were incurred primarily in connection with the construction of new stores and information systems enhancements.

Borrowings under the revolving credit line increased from $32.0 million at October 28, 2000 to $95.0 million at November 3, 2001. Investments of excess cash balances were $20.4 million at November 3, 2001 compared to $1.6 million at the end of the third quarter last year. The increase in investments at November 3, 2001 compared to October 28, 2000 resulted from the drawdown of available credit under our revolving credit arrangement in excess of working capital requirements. This increase in net borrowings was used to fund capital expenditures and for working capital purposes.

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.

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 2000 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 which averaged $42.4 million during the first nine months of 2001.

The Company has a licensing agreement in Japan which provides for royalty payments based on sales of J.Crew merchandise as denominated in yen. The Company has entered into forward foreign exchange contracts from time to time in order to minimize this risk. At November 3, 2001 there were no forward foreign exchange contracts outstanding.

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 November 3, 2001 were $46.2 million.

J. CREW OPERATING CORP. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

Assets	November 3, 2001 (unaudited)	February 3, 2001
	(in thousands)	
Current assets:		
Cash and cash equivalents	$ 34,987	$ 32,930
Merchandise inventories	173,449	140,667
Prepaid expenses and other current assets	37,018	23,740
Total current assets	245,454	197,337
Property and equipment - at cost	299,123	251,322
Less accumulated depreciation and amortization	(108,514)	(85,746)
	190,609	165,576
Other assets	12,219	10,839
Total assets	$ 448,282	$ 373,752
Liabilities and Stockholder's Equity		
Current liabilities:		
Notes payable - bank	$ 95,000	$ --
Accounts payable and other current liabilities	119,247	124,873
Federal and state income taxes	5,324	18,850
Deferred income tax liabilities	3,731	3,731
Total current liabilities	223,302	147,454
Long-term debt	150,000	150,000
Deferred credits and other long-term liabilities	65,260	56,043
Due to J.Crew Group, Inc.	1,047	1,047
Stockholder's equity	8,673	19,208
Total liabilities and stockholder's equity	$ 448,282	$ 373,752

See notes to unaudited condensed consolidated financial statements.

J. CREW OPERATING CORP. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Thirty-nine weeks ended November 3, 2001	Thirty-nine weeks ended October 28, 2000
	(unaudited) (in thousands)	
Revenues:		
Net sales	$ 506,534	$ 514,231
Other	24,798	25,102
	531,332	539,333
Cost of goods sold including buying and occupancy costs	320,093	305,733
Selling, general and administrative expenses	212,987	215,504
Income/(loss) from operations	(1,748)	18,096
Interest expense - net	(15,927)	(17,054)
Income/(loss) before income taxes	(17,675)	1,042
Income taxes	7,140	(420)
Net income/(loss)	$ (10,535)	$ 622

See notes to unaudited condensed consolidated financial statements.

J. CREW OPERATING CORP. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Thirteen weeks ended November 3, 2001	Thirteen weeks ended October 28, 2000
	(unaudited) (in thousands)	
Revenues:		
Net sales	$ 187,116	$ 193,971
Other	8,470	8,307
	195,586	202,278
Cost of goods sold including buying and occupancy costs	113,137	112,511
Selling, general and administrative expenses	72,275	72,851
Income from operations	10,174	16,916
Interest expense - net	(5,667)	(5,740)
Income before income taxes	4,507	11,176
Income taxes	(1,860)	(4,520)
Net income	$ 2,647	$ 6,656

See notes to unaudited condensed consolidated financial statements.

J. CREW OPERATING CORP. AND

SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

	Thirty-nine weeks ended	
	November 3, 2001	October 28, 2000
	(unaudited) (in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES:		
Net loss	$(10,535)	$ 622
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	22,707	15,993
Amortization of deferred financing costs	1,328	1,471
Non cash compensation expense	772	--
Changes in operating assets and liabilities:		
Merchandise inventories	(32,782)	(34,695)
Prepaid expenses and other current assets	(13,278)	3,624
Other assets	(2,838)	(398)
Net assets held for disposal	--	4,186
Accounts payable and other liabilities	(5,873)	(4,145)
Federal and state income taxes	(13,526)	(3,817)
Net cash used in operating activities	(54,025)	(17,159)
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures	(54,264)	(39,560)
Proceeds from construction allowances	15,346	11,776
Net cash used in investing activities	(38,918)	(27,784)
CASH FLOW FROM FINANCING ACTIVITIES:		
Increase in notes payable, bank	95,000	32,000
Repayment of long-term debt	--	(4,000)
Net cash provided by financing activities	95,000	28,000
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,057	(16,956)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	32,930	38,693
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 34,987	$ 21,737

See notes to unaudited condensed consolidated financial statements.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Thirteen and thirty-nine weeks ended November 3, 2001 and October 28, 2000

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of J. Crew Operating Corp. 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 November 3, 2001 and the condensed consolidated statements of operations and cash flows for the thirteen and thirty-nine week periods ended November 3, 2001 and October 28, 2000 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.

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The results of operations for the thirty-nine week period ended November 3, 2001 are not necessarily indicative of the operating results for the full fiscal year.

2. Reclassification

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4. Events of September 11, 2001

The terrorist actions of September 11, 2001 resulted in the destruction of our retail store located at the World Trade Center, resulting in the loss of inventories and store fixtures, equipment and leasehold improvements. These losses and the resulting business interruption are covered by insurance policies maintained by the Company.

The statement of operations for the thirteen and thirty-nine weeks ended November 3, 2001 includes losses of $1.9 million relating to inventories and store fixtures, equipment and leasehold improvements. Insurance recoveries have been recorded in amounts equal to the carrying amount of these assets. The ultimate insurance recoveries will be based on the final sales price of the inventories and the replacement cost of the fixed assets. The estimated insurance recoveries also exclude any amounts for business interruption since this amount is not determinable at this time.

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, availability of suitable store locations at appropriate terms, 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. J.CREW OPERATING CORP. - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS - THIRTEEN WEEKS ENDED NOVEMBER 3, 2001 VERSUS THIRTEEN WEEKS ENDED OCTOBER 28, 2000.

Consolidated revenues decreased from $202.3 million in the thirteen weeks ended October 28, 2000 to $195.6 million for the thirteen weeks ended November 3, 2001, a decrease of 3.3%.

The revenues of J.Crew Retail decreased from $102.8 million in the third quarter of 2000 to $96.7 million in the third quarter of 2001. This decrease was due primarily to the decrease in comparable store sales of 17.7%. The number of stores open at November 3, 2001 increased to 130 from 103 at October 28, 2000.

The revenues of J.Crew Direct (which includes the catalog and Internet operations) increased from $61.9 million in the third quarter of 2000 to $65.8 million in the third quarter of 2001. Revenues from jcrew.com increased to $32.1 million in third quarter of 2001 from $26.5 million in the third quarter of 2000. Catalog revenues in the third quarter of 2001 decreased to $33.7 million from $35.4 million in the third quarter of 2000, 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 $29.3 million in the third quarter of 2000 to $24.6 million in the third quarter of 2001. There were 41 stores open at the end of the third quarter in 2000 and 2001.

Other revenues increased from $8.3 million in the third quarter of 2000 to $8.5 million in the third quarter of 2001.

Cost of goods sold, including buying and occupancy costs, increased as a percentage of revenues to 57.8% in the third quarter of 2001 from 55.6% in the third quarter of 2000. This increase is due to additional markdowns and an increase buying and occupancy costs as a percentage of revenues in the third quarter of 2001 compared to the third quarter of 2000.

Selling, general and administrative expenses decreased from $72.9 million in the third quarter of 2000 to $72.3 million in the third quarter of 2001. This decrease resulted from a decrease in selling expense of $1.7 million and an increase in general and administrative expenses of $1.1. The increase in general and administrative expenses was due primarily to higher expenses as a result of the increase in the number of retail stores in operation during the third quarter of 2001 offset by a decrease in the bonus provision and the effects of the cost reduction initiatives adopted in the first quarter of 2001. The decrease in selling expense from $15.9 million in the third quarter of 2000 compared to $14.2 million in the third quarter of 2001 resulted from a decrease in catalog costs and a shift in the timing of catalog mailings which will negatively impact the fourth quarter. As a percentage of revenues, selling, general and administrative expenses increased from 36.0% in the third quarter of 2000 to 37.0% of revenues in the third quarter of 2001.

Interest expense was approximately $5.7 million in the third quarter of 2001 and 2000. The increase in average borrowings under revolving credit arrangements from $19.9 million in the third quarter of 2000 to $75.0 million in the third quarter of 2001 was offset by the repayment of the term loan in the fourth quarter of fiscal year 2000 and a decrease in interest rates in 2001.

The decrease in income before income taxes from $11.2 million in the third quarter of 2000 to $4.5 million in the third quarter of 2001 resulted primarily from the decline in net sales and a decrease in the gross margin percentage due to an increase in markdowns.

RESULTS OF OPERATIONS - THIRTY-NINE WEEKS ENDED NOVEMBER 3, 2001 VERSUS THIRTY-NINE WEEKS ENDED OCTOBER 28, 2000.

Consolidated revenues for the thirty-nine weeks ended November 3, 2001 decreased to $ 531.3 million from $539.3 million in the thirty-nine weeks ended October 28, 2000 a decrease of 1.5%.

Revenues of J.Crew Retail increased from $268.7 million in the thirty-nine weeks ended October 28, 2000 to $272.7 million in the thirty-nine weeks ended November 3, 2001. This increase was due primarily to sales from the stores opened for less than a full year. Comparable store sales in the thirty-nine weeks ended November 3, 2001 decreased by 13.9%. The number of stores open at November 3, 2001 increased to 130 from 103 at October 28, 2000.

Revenues of J.Crew Direct (which includes the catalog and Internet operations) decreased from $172.8 million in the thirty-nine weeks ended October 28, 2000 to $166.6 million in the thirty-nine weeks ended November 3, 2001. Revenues from jcrew.com increased to $78.3 million in the thirty-nine weeks ended November 3, 2001 from $63.5 million in the thirty-nine weeks ended October 28, 2000. Catalog revenues decreased from $109.3 million in the thirty-nine weeks ended October 28, 2000 to $88.3 million in the thirty-nine weeks ended November 3, 2001 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 $72.7 million in the thirty-nine weeks ended October 28, 2000 to $67.1 million in the thirty-nine weeks ended November 3, 2001. There were 41 stores at the end of the third quarter of 2001 and 2000.

Other revenues decreased from $25.1 million in the thirty-nine weeks ended October 28, 2000 to $24.9 million in the thirty-nine weeks ended November 3, 2001.

Cost of goods sold, including buying and occupancy costs, increased as a percentage of revenues from 56.7% in the thirty-nine weeks ended October 28, 2000 to 60.2% in the thirty-nine weeks ended November 3, 2001. This increase resulted primarily from an increase in markdowns and an increase in buying and occupancy costs as a percentage of revenues in the first nine months of 2001 compared to the first nine months of 2000.

Selling, general and administrative expenses decreased from $215.5 million in the thirty-nine weeks ended October 28, 2000 to $213.0 million in the thirty-nine weeks ended November 3, 2001. This decrease resulted from a decrease in general and administrative expenses of $1.3 million and a decrease in selling expense of $1.2 million. The decrease in general and administrative expenses was due primarily to a decrease in the bonus provision and the effects of cost reduction initiates adopted in the first quarter of 2001 offset by higher store expenses due to an increase in the number of retail stores in operation in 2001. Selling expenses were $42.7 million for the thirty-nine weeks ended November 3, 2001 compared to $43.9 million for the thirty-nine weeks ended October 28, 2000. This decrease resulted from a decrease in catalog costs and a shift in the timing of catalog mailings which will negatively impact the fourth quarter. As a percentage of revenues, selling, general and administrative expenses 40.2% of revenues in the thirty-nine weeks ended November 3, 2001 compared to 40.0% in the six months ended October 28, 2000.

The decrease in interest expense from $17.1 million in the thirty-nine weeks ended October 28, 2000 to $15.9 million in the thirty-nine weeks ended November 3, 2001 resulted from the repayment of the term loan in the fourth quarter of fiscal year 2000 and a reduction of interest rates in 2001 offset by the increase in average borrowings from $9.9 million in the nine months ended October 28, 2000 to $42.4 million in the nine months ended November 3, 2001.

The decrease in income/loss before income taxes from income of $1.0 million in the thirty-nine weeks ended October 28, 2000 to a loss of $17.7 million in the thirty-nine weeks ended November 3, 2001 resulted primarily from the decrease in net sales and a decrease in gross margin percentage due to an increase in markdowns.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

None

(b) Reports on Form 8-K.

J.Crew Group, Inc. - None

J.Crew Operating Corp. - None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature for each undersigned company shall be deemed to relate only to matters having reference to such company.

J. CREW GROUP, INC.
(Registrant)

Date:	December 10, 2001	By: /s/ Mark Sarvary Mark Sarvary Chief Executive Officer
Date:	December 10, 2001	By: /s/ Scott M. Rosen Scott M. Rosen Chief Financial Officer

J. CREW OPERATING CORP.
(Registrant)

Date:	December 10, 2001	By: /s/ Mark Sarvary Mark Sarvary Chief Executive Officer
Date:	December 10, 2001	By: /s/ Scott M. Rosen Scott M. Rosen Chief Financial Officer