PENNEY INTERMEDIATE HOLDINGS LLC

Consolidated Financial Statements (Unaudited)

November 1, 2025 and November 2, 2024

Penney Intermediate Holdings LLC
Narrative Report

The following discussion, which presents results for the second quarter, should be read in conjunction with the accompanying Consolidated Financial Statements and notes thereto. Unless otherwise indicated, all references in Narrative are as of the date presented and the Company does not undertake any obligation to update these numbers, or to revise or update any statement being made related thereto.

Third Quarter Update

During the third quarter of Fiscal 2025, JCPenney remained committed to serving as a key shopping destination for America's diverse, working families. During the third quarter, the Company continued to engage both existing and new customers with compelling, original and disruptive marketing campaigns. In September, the Company kicked off a new round of its popular "Really Big Deals" campaign that featured Shaquille O'Neal introducing an up-and-coming comedian to announce the weekly deal during their stand-up set. In addition to the "Really Big Deals" campaign, celebrity partnerships and collaborations remained an important part of the Company's strategy. In September, a high-profile launch was executed for the new plus-size collection by supermodel Ashley Graham as well as an exclusive collection by designer Rebecca Minkoff. In October, the Company announced a first of its kind partnership with iHeart media that included a fashion collection and experiential activations in store and online leading up to the nationwide Jingle Ball events occurring throughout the holiday selling season. All these efforts continued to resonate with customers and as a result, trip frequency improved by another 1%, marking 18 consecutive months of increases. Additionally, the company saw a 20% year over year increase in loyalty customers and noted traffic trends in its stores outpaced sector competitors by an estimated 180 bps during the period.

In terms of category performance, beauty, fine jewelry, and home all continued to deliver strong performance in the third quarter. Active wear across all categories and all genders and age groups also outperformed during the period. Children's showed significant improvement along with women's dresses, handbags and petites. The best performing private brands included Xersion and Modern Bride, alongside strong national brand performance from Van Heusen, Haggar, Nike and Skechers. In terms of gross margin growth, increases were seen across many areas of the business including beauty, home, and children's. Improvements in gross margin are the direct result of the continued strategic approach to markdowns aimed at managing cost increases from distribution and tariff related expenses. Overall, margins remained strong at 38.0%. Selling, general, and administrative costs for the third quarter declined compared to last year. The reduction can primarily be attributed to lower administrative, advertising and technology spend in the period. Cost savings achieved were slightly offset by increases in incentive compensation accrual estimates and other administrative expenses. Credit income was $66M, a decrease of $27M over last year predominately due to a one-time beneficial accounting adjustment that was recorded in the same period last year.

The Company continues to focus on achieving synergies related to its parent Company's acquisition of Sparc Group Holdings LLC and to date has identified approximately $150M in operational synergy opportunities that it expects to realize by the year 2027. The identified synergies relate primarily to savings in sourcing, distribution and technology as well as savings from consolidation of administrative costs. So far, approximately $100M of those opportunities have been implemented or are being actioned in Fiscal 2026.

As is customary during the third quarter, the Company utilized its line of credit to purchase inventory for the back to school and holiday selling seasons and to capitalize on opportunities for additional marketing and other growth-related capital investments. Capital Expenditures in the period totaled $34M and primarily included investments in technology and customer facing store improvements.

The Company continues to prioritize maintaining a healthy balance sheet and as a result, subsequent to the date of the financials, the Company had repaid all of the amounts outstanding on the $1.75B credit facility as of the end of the third quarter and had no outstanding debt remaining on its balance sheet. Taking into account available cash balances and the borrowing capacity under the ABL facility, as of the end of December, the Company had over $1B in liquidity available to fund ongoing operations and make future strategic investments.

PENNEY INTERMEDIATE HOLDINGS LLC
Consolidated Financial Statements
(Unaudited)
November 1, 2025 and November 2, 2024

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PENNEY INTERMEDIATE HOLDINGS LLC
Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

(In millions)	Three Months Ended November 1, 2025	Three Months Ended November 2, 2024
Total net sales	$ 1,356	$ 1,410
Credit income	66	93
Total revenues	1,422	1,503
Costs and expenses/(income):		
Cost of goods sold (exclusive of depreciation and amortization shown separately below)	841	865
Selling, general and administrative	588	601
Depreciation and amortization	46	47
Real estate and other, net	—	(17)
Restructuring, impairment, store closing and other costs	26	5
Total costs and expenses	1,501	1,501
Operating income (loss)	(79)	2
Net interest expense	9	17
Loss on extinguishment of debt	9	—
Loss before income taxes	(97)	(15)
Income tax expense	3	2
Net loss	$ (100)	$ (17)
Other comprehensive income (loss):		
Currency translation adjustment	—	—
Comprehensive loss	$ (100)	$ (17)

See accompanying Notes to Consolidated Financial Statements (Unaudited).

PENNEY INTERMEDIATE HOLDINGS LLC
Consolidated Statements of Comprehensive Income (Loss) (Continued)
(Unaudited)

(In millions)	Nine Months Ended November 1, 2025	Nine Months Ended November 2, 2024
Total net sales	$ 4,082	$ 4,245
Credit income	193	210
Total revenues	4,275	4,455
Costs and expenses/(income):		
Cost of goods sold (exclusive of depreciation and amortization shown separately below)	2,516	2,586
Selling, general and administrative	1,587	1,803
Depreciation and amortization	135	132
Real estate and other, net	(1)	(17)
Restructuring, impairment, store closing and other costs	43	8
Total costs and expenses	4,280	4,512
Operating loss	(5)	(57)
Net interest expense	40	52
Loss on extinguishment of debt	9	—
Loss before income taxes	(54)	(109)
Income tax expense	6	4
Net loss	$ (60)	$ (113)
Other comprehensive loss:		
Currency translation adjustment	(1)	(1)
Comprehensive loss	$ (61)	$ (114)

See accompanying Notes to Consolidated Financial Statements (Unaudited).

PENNEY INTERMEDIATE HOLDINGS LLC
Consolidated Balance Sheets
(Unaudited)

(In millions)	November 1, 2025	November 2, 2024
Assets		
Current assets:		
Cash and cash equivalents	$ 102	$ 118
Merchandise inventory	1,898	2,097
Prepaid expenses and other assets	356	241
Total current assets	2,356	2,456
Property and equipment, net	1,176	1,199
Operating lease assets	1,671	1,681
Financing lease assets	93	85
Other assets	123	202
Total assets	**$ 5,419**	**$ 5,623**
Liabilities and member's equity		
Current liabilities:		
Merchandise accounts payable	$ 606	$ 647
Other accounts payable and accrued expenses	483	468
Revolving credit facility borrowings	198	250
Current operating lease liabilities	72	81
Current financing lease liabilities	3	3
Current portion of long-term debt, net	—	9
Total current liabilities	1,362	1,458
Noncurrent operating lease liabilities	1,857	1,860
Noncurrent financing lease liabilities	103	92
Long-term debt	—	471
Other liabilities	105	92
Total liabilities	**3,427**	**3,973**
Member's equity		
Member's contributions	300	300
Accumulated other comprehensive loss	(8)	(6)
Reinvested earnings	1,700	1,356
Total member's equity	**1,992**	**1,650**
Total liabilities and member's equity	**$ 5,419**	**$ 5,623**

See accompanying Notes to Consolidated Financial Statements (Unaudited).

PENNEY INTERMEDIATE HOLDINGS LLC
Consolidated Statements of Member’s Equity
(Unaudited)

	Nine Months Ended November 2, 2024			
(In millions)	**Member’s Contributions**	**Accumulated Other Comprehensive Loss**	**Reinvested Earnings**	**Total Member's Equity**
February 3, 2024	**$ 300**	**$ (5)**	**$ 1,468**	**$ 1,763**
Member tax distributions	—	—	—	—
Net loss	—	—	(113)	(113)
Currency translation adjustment	—	(1)	—	(1)
Profits interest plan grants	—	—	1	1
November 2, 2024	**$ 300**	**$ (6)**	**$ 1,356**	**$ 1,650**

	Nine Months Ended November 1, 2025			
(In millions)	**Member’s Contributions**	**Accumulated Other Comprehensive Loss**	**Reinvested Earnings**	**Total Member's Equity**
February 1, 2025	**$ 300**	**$ (7)**	**$ 1,290**	**$ 1,583**
Member tax distributions	—	—	1	1
Net loss	—	—	(60)	(60)
Currency translation adjustment	—	(1)	—	(1)
Profits interest plan grants reclass	—	—	(13)	(13)
Equity transfer from parent	—	—	482	482
November 1, 2025	**$ 300**	**$ (8)**	**$ 1,700**	**$ 1,992**

See accompanying Notes to Consolidated Financial Statements (Unaudited).

PENNEY INTERMEDIATE HOLDINGS LLC
Consolidated Statements of Cash Flows
(Unaudited)

(In millions)	Year-to-Date November 1, 2025	Year-to-Date November 2, 2024
Cash flows from operating activities:		
Net loss	$ (60)	$ (113)
Adjustments to reconcile net loss to net cash used by operating activities:		
Gain on asset disposition	(1)	(17)
Restructuring, impairment, store closing and other costs, non-cash	29	(2)
Gain on insurance proceeds received for damage to property and equipment	—	(1)
Depreciation and amortization	135	132
Change in cash from operating assets and liabilities:		
Merchandise inventory	(383)	(505)
Prepaid expenses and other assets	(205)	(157)
Merchandise accounts payable	168	264
Other accounts payable, accrued expenses and other liabilities	39	50
Net cash used by operating activities	**(278)**	**(349)**
Cash flows from investing activities:		
Capital expenditures	(87)	(162)
Proceeds from sale of real estate assets	1	19
Insurance proceeds received for damage to property and equipment	—	1
Net cash used by investing activities	**(86)**	**(142)**
Cash flows from financing activities:		
Payments of long-term debt	(480)	(6)
Proceeds from borrowings under revolving credit facility	318	326
Payments of borrowings under revolving credit facility	(120)	(76)
Proceeds from equity contributions	482	—
Repayments of principal portion of finance leases	(3)	(3)
Net cash provided by financing activities	**197**	**241**
Net decrease in cash and cash equivalents	(167)	(250)
Cash and cash equivalents at beginning of period	269	368
Cash and cash equivalents at end of period	**$ 102**	**$ 118**

See accompanying Notes to Consolidated Financial Statements (Unaudited).

PENNEY INTERMEDIATE HOLDINGS LLC
Notes to Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation and Consolidation

These Consolidated Financial Statements (Unaudited) have been prepared in accordance with generally accepted accounting principles in the United States. The accompanying Consolidated Financial Statements (Unaudited), in the Company's opinion, include all material adjustments necessary for a fair presentation and should be read in conjunction with the Audited Consolidated Financial Statements and notes thereto for the fiscal year ended February 1, 2025. The same accounting policies are followed to prepare quarterly financial statements as are followed in preparing annual financial statements. A description of such significant accounting policies is included in the notes to the Audited Consolidated Financial Statements.

The Consolidated Financial Statements (Unaudited) present the results of the Company and its subsidiaries. All significant inter-company transactions and balances have been eliminated in consolidation. Certain amounts may have been reclassified to conform with current year presentation, if necessary. Given the seasonal nature of the retail business, operating results for interim periods are not necessarily indicative of the results that may be expected for the full year.

Fiscal Year

The Company's fiscal year consists of the 52-week period ending on the Saturday closest to January 31. Every sixth year, the Company's fiscal year consists of 53 weeks ending on the Saturday closest to January 31. As used herein, "three months ended November 1, 2025" refers to the 13- week period ended November 1, 2025, and "three months ended November 2, 2024" refers to the 13-week period ended November 2, 2024. Fiscal 2025 and 2024 consist of the 52-week periods ending January 31, 2026 and February 1, 2025, respectively.

2. Long-Term Debt

(In millions)	November 1, 2025	November 2, 2024
Issue:		
ABL Term Loan	$ —	$ 323
ABL FILO Loan	—	160
Total debt	—	483
Unamortized debt issuance costs	—	(3)
Less: current maturities	—	(9)
Total long-term debt	$ —	$ 471

3. Revolving Credit Facility

The Company is a borrower under a $1.75 billion senior secured asset-based revolving credit facility ("Revolving Credit Facility"). During the third quarter, the facility was refinanced and the maturity date was extended with maturity extended to September 2030. The Revolving Credit Facility is secured by a perfected first-priority security interest in eligible credit card receivables, inventory and the related proceeds. The Revolving Credit Facility is available for general corporate purposes, including the issuance of letters of credit.

As of November 1, 2025, the Company had $1.75 billion available for borrowing with $0.2 billion outstanding and $0.2 billion reserved for outstanding standby letters of credit. After taking into account minimum availability requirements, and use of the facility by other borrowers, the Company had $0.4 billion available for future borrowings. Subsequent to quarter end the Company repaid its outstanding amounts under the facility and as of the date of these financial statements had no outstanding debt.

4. Litigation and Other Contingencies

The Company is subject to various legal and governmental proceedings involving routine litigation incidental to its business. While no assurance can be given as to the ultimate outcome of these matters, the Company currently believes that the final resolution of these actions, individually or in the aggregate, will not have a material adverse effect on results of operations, financial position, liquidity or capital resources.

5. Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through December 16, 2025, the date at which the financial statements were available to be issued.

PENNEY INTERMEDIATE HOLDINGS LLC
Statement of Consolidated Adjusted EBITDA
For the Nine Months Ended November 1, 2025

(In millions)		
Net loss	$	(60)
Plus:		
Net interest expense		40
Income tax expense		6
Depreciation and amortization		135
Restructuring, impairment, store closing and other costs		43
Loss on extinguishment of debt		9
Minus:		
Real estate and other, net		(1)
Consolidated adjusted EBITDA	$	172

Prepared in accordance with the definition of Consolidated Adjusted EBITDA per Section 1.1 of the Credit and Guaranty Agreement dated December 7, 2020.