

INTERNATIONAL TEXTILE GROUP, INC. AND SUBSIDIARY COMPANIES

Consolidated Balance Sheets

(Dollar amounts in thousands, except per share data)

	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,466	\$ 3,780
Accounts receivable, less allowances of \$684 and \$1,003, respectively	61,463	71,399
Sundry notes and receivables	11,475	9,767
Inventories	93,940	102,515
Deferred income taxes	2,999	2,240
Prepaid expenses	3,176	3,714
Other current assets	708	881
Total current assets	183,227	194,296
Property, plant and equipment, net	104,277	105,451
Intangibles and deferred charges, net	1,568	1,676
Goodwill	2,740	2,740
Deferred income taxes	6,279	8,792
Other assets	3,990	4,371
Total assets	\$ 302,081	\$ 317,326
Liabilities and Stockholders' Deficit		
Current liabilities:		
Current portion of bank debt and other long-term obligations	\$ 12,237	\$ 13,731
Short-term borrowings	43,764	43,338
Accounts payable	40,318	47,748
Sundry payables and accrued liabilities	22,236	20,328
Income taxes payable	732	1,551
Total current liabilities	119,287	126,696
Bank debt and other long-term obligations, net of current portion	61,258	87,559
Senior subordinated notes - related party, including PIK interest	160,877	163,520
Income taxes payable	3,114	3,823
Deferred income taxes	3,287	2,584
Other liabilities	20,589	20,681
Total liabilities	368,412	404,863
Commitments and contingencies		
Stockholders' deficit:		
Series C preferred stock (par value \$0.01 per share; 5,000,000 shares authorized; 114,628 and 126,103 shares issued and outstanding; and aggregate liquidation value of \$124,351 and \$126,244 at December 31, 2014 and 2013, respectively)	114,183	125,614
Series A convertible preferred stock (par value \$0.01 per share; 15,000,000 shares authorized; 3,165,071 and 13,470,034 shares issued and outstanding; and aggregate liquidation value of \$85,407 and \$337,103 at December 31, 2014 and 2013, respectively)	79,127	336,751
Common stock (par value \$0.01 per share; 150,000,000 shares authorized; 17,468,327 shares issued and outstanding at December 31, 2014 and 2013)	175	175
Capital in excess of par value	21,944	—
Common stock held in treasury, 40,322 shares at cost	(411)	(411)
Accumulated deficit	(274,591)	(544,038)
Accumulated other comprehensive loss, net of taxes	(6,758)	(5,628)
Total stockholders' deficit	(66,331)	(87,537)
Total liabilities and stockholders' deficit	\$ 302,081	\$ 317,326

See accompanying Notes to Consolidated Financial Statements

INTERNATIONAL TEXTILE GROUP, INC. AND SUBSIDIARY COMPANIES

Consolidated Statements of Income
(Amounts in thousands, except per share data)

	Year Ended December 31,	
	2014	2013
Net sales	\$ 595,446	\$ 600,089
Cost of goods sold	524,096	524,211
Gross profit	71,350	75,878
Selling and administrative expenses	45,835	42,126
Provision for (recovery of) bad debts	(53)	65
Other operating income - net	(3,368)	(3,148)
Restructuring charges	3,116	2
Income from operations	25,820	36,833
Non-operating other income (expense):		
Interest income	240	99
Interest expense - related party PIK interest	(18,060)	(18,469)
Interest expense - third party	(10,729)	(12,183)
Other income (expense) - net	13,776	(9,584)
Total non-operating other income (expense) - net	(14,773)	(40,137)
Income (loss) from continuing operations before income taxes and equity in income (losses) of unconsolidated affiliates	11,047	(3,304)
Income tax (expense) benefit	(3,486)	10,375
Equity in income (losses) of unconsolidated affiliates	(109)	124
Income from continuing operations	7,452	7,195
Discontinued operations, net of income taxes:		
Loss from discontinued operations	(6,559)	(11,778)
Loss on disposal of net assets	(501)	-
Gain on derecognition of net assets	-	27,874
Income (loss) from discontinued operations	(7,060)	16,096
Net income	\$ 392	\$ 23,291
Net income	\$ 392	\$ 23,291
Accrued preferred stock dividends, including arrearages for the period	(15,792)	(34,202)
Net loss attributable to common stock	\$ (15,400)	\$ (10,911)
Net loss per share attributable to common stock, basic:		
Loss from continuing operations	\$ (0.48)	\$ (1.54)
Income (loss) from discontinued operations	(0.40)	0.92
	\$ (0.88)	\$ (0.62)
Net loss per share attributable to common stock, diluted:		
Loss from continuing operations	\$ (0.48)	\$ (1.54)
Income (loss) from discontinued operations	(0.40)	0.92
	\$ (0.88)	\$ (0.62)
Weighted average number of shares outstanding - basic	17,468	17,468
Weighted average number of shares outstanding - diluted	17,468	17,468

See accompanying Notes to Consolidated Financial Statements

INTERNATIONAL TEXTILE GROUP, INC. AND SUBSIDIARY COMPANIES
 Consolidated Statements of Comprehensive Income (Loss)
 (Amounts in thousands)

	Year Ended December 31,	
	2014	2013
Net income	\$ 392	\$ 23,291
Other comprehensive income (loss), net of taxes:		
Cash flow hedge adjustments	(520)	(246)
Pension and postretirement liability adjustments	(610)	2,324
Other comprehensive income (loss)	(1,130)	2,078
Net comprehensive income (loss)	\$ (738)	\$ 25,369

See accompanying Notes to Consolidated Financial Statements

INTERNATIONAL TEXTILE GROUP, INC. AND SUBSIDIARY COMPANIES

Consolidated Statements of Stockholders' Deficit
(Amounts in thousands, except share data)

International Textile Group, Inc. Stockholders												
	Series C		Series A		Common stock		Capital in excess of par value	Treasury stock amount	Accumulated deficit	Accumulated other comprehensive loss	Non- controlling interests	Total
	Preferred stock		Preferred stock		Preferred stock							
	Shares	Amount	Shares	Amount	Shares	Amount						
Balance at December 31, 2012	116,502	\$ 116,013	12,505,687	\$ 312,642	17,468,327	\$ 175	\$ 33,710	\$ (411)	\$ (567,312)	\$ (7,706)	\$ 42	\$ (112,847)
Net income	—	—	—	—	—	—	—	—	23,291	—	—	23,291
Actuarial gains on benefit plans, net of taxes	—	—	—	—	—	—	—	—	—	2,324	—	2,324
Foreign currency cash flow hedges, net of taxes	—	—	—	—	—	—	—	—	—	(246)	—	(246)
Liquidation and dissolution of majority- owned subsidiary	—	—	—	—	—	—	—	—	(17)	—	(42)	(59)
Preferred stock dividends	9,601	9,601	964,347	24,109	—	—	(33,710)	—	—	—	—	—
Balance at December 31, 2013	126,103	125,614	13,470,034	336,751	17,468,327	175	—	(411)	(544,038)	(5,628)	—	(87,537)
Net income	—	—	—	—	—	—	—	—	392	—	—	392
Cancellation of preferred stock	(11,475)	(11,431)	(10,304,963)	(257,624)	—	—	—	—	269,055	—	—	—
Cancellation of related party debt	—	—	—	—	—	—	21,944	—	—	—	—	21,944
Actuarial losses on benefit plans, net of taxes	—	—	—	—	—	—	—	—	—	(610)	—	(610)
Foreign currency cash flow hedges, net of taxes	—	—	—	—	—	—	—	—	—	(520)	—	(520)
Balance at December 31, 2014	<u>114,628</u>	<u>\$ 114,183</u>	<u>3,165,071</u>	<u>\$ 79,127</u>	<u>17,468,327</u>	<u>\$ 175</u>	<u>\$ 21,944</u>	<u>\$ (411)</u>	<u>\$ (274,591)</u>	<u>\$ (6,758)</u>	<u>\$ —</u>	<u>\$ (66,331)</u>

See accompanying Notes to Consolidated Financial Statements

INTERNATIONAL TEXTILE GROUP, INC. AND SUBSIDIARY COMPANIES
Consolidated Statements of Cash Flows
(Amounts in thousands)

	Year Ended December 31,	
	2014	2013
OPERATING ACTIVITIES		
Net income	\$ 392	\$ 23,291
Adjustments to reconcile net income to cash provided by operations:		
Non-cash gain on derecognition of net assets	-	(27,874)
Non-cash loss on disposal of net assets	501	-
Non-cash restructuring and impairment charges	6,088	2,071
Provision for (recovery of) bad debts	(52)	133
Depreciation and amortization of property, plant and equipment	12,169	14,451
Amortization of deferred financing costs	968	1,061
Deferred income taxes	1,508	(11,370)
Equity in (income) losses of unconsolidated affiliates	109	(124)
Gain on sale of assets	(9,833)	(123)
Non-cash interest expense	18,115	19,040
Foreign currency remeasurement losses	361	1,427
Contributions to pension and postretirement benefit plans	(2,697)	(3,376)
Payment of interest on payment-in-kind notes	-	(505)
Change in operating assets and liabilities:		
Accounts receivable	6,020	(4,787)
Inventories	3,498	6,465
Other current assets	(1,331)	224
Accounts payable and accrued liabilities	(2,025)	3,790
Income taxes payable	(984)	(4,007)
Other	(393)	552
Net cash provided by operating activities	<u>32,414</u>	<u>20,339</u>
INVESTING ACTIVITIES		
Capital expenditures	(6,747)	(4,915)
Deposits and other costs related to equipment to be purchased	(6,334)	(2,652)
Investments in and advances to unconsolidated affiliates	(45)	(16)
Distributions from unconsolidated affiliates	400	500
Proceeds from disposal of investment in unconsolidated affiliate	9,625	-
Proceeds from sale of net assets of Narricot business	4,229	-
Proceeds from sale of property, plant and equipment	720	200
Net cash provided by (used in) investing activities	<u>1,848</u>	<u>(6,883)</u>
FINANCING ACTIVITIES		
Proceeds from issuance of term loans	9,500	13,250
Repayment of term loans	(15,080)	(18,179)
Net borrowings (repayments) under revolving loans	(22,162)	4,561
Net proceeds from short-term borrowings	563	5,278
Payment of financing fees	(876)	(783)
Repayment of capital lease obligations	(68)	(216)
Payment of principal on payment-in-kind notes	-	(16,655)
Acquisition of noncontrolling interest	-	(17)
Decrease in checks issued in excess of deposits	(152)	(94)
Net cash used in financing activities	<u>(28,275)</u>	<u>(12,855)</u>
Effect of exchange rate changes on cash and cash equivalents	(301)	(61)
Net change in cash and cash equivalents	5,686	540
Cash and cash equivalents at beginning of period	3,780	3,240
Cash and cash equivalents at end of period	<u>\$ 9,466</u>	<u>\$ 3,780</u>
Supplemental disclosures of cash flow information:		
Cash payments (refunds) of income taxes, net	\$ 3,557	\$ 4,989
Cash payments for interest	\$ 9,980	\$ 10,232
Non-cash investing and financing activities:		
Accrued preferred stock dividends	\$ -	\$ 33,710

Cancellation of preferred stock to accumulated deficit	\$	269,055	\$	-
Cancellation of related party debt to capital in excess of par value	\$	21,944	\$	-
Note receivable for sale of assets	\$	3,229	\$	-
Issuance of related party debt to settle guaranty fee obligation	\$	1,241	\$	-
Transfer and derecognition of assets to settle liabilities	\$	-	\$	24,751
Liabilities extinguished and derecognized by transfer of assets	\$	-	\$	52,737
Additions to property, plant and equipment using deposits or trade credits	\$	8,842	\$	100
Capital lease obligations incurred to acquire assets	\$	31	\$	197

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