

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Williams-Sonoma, Inc. *Consolidated Statements of Earnings*

<i>In thousands, except per share amounts</i>	Fiscal 2015	Fiscal 2014	Fiscal 2013
E-commerce net revenues	\$ 2,522,580	\$ 2,370,694	\$ 2,115,022
Retail net revenues	2,453,510	2,328,025	2,272,867
Net revenues	4,976,090	4,698,719	4,387,889
Cost of goods sold	3,131,876	2,898,215	2,683,673
Gross profit	1,844,214	1,800,504	1,704,216
Selling, general and administrative expenses	1,355,580	1,298,239	1,252,118
Operating income	488,634	502,265	452,098
Interest (income) expense, net	627	62	(584)
Earnings before income taxes	488,007	502,203	452,682
Income taxes	177,939	193,349	173,780
Net earnings	\$ 310,068	\$ 308,854	\$ 278,902
Basic earnings per share	\$ 3.42	\$3.30	\$ 2.89
Diluted earnings per share	\$ 3.37	\$3.24	\$ 2.82
Shares used in calculation of earnings per share:			
Basic	90,787	93,634	96,669
Diluted	92,102	95,200	98,765

See Notes to Consolidated Financial Statements.

Williams-Sonoma, Inc. *Consolidated Statements of Comprehensive Income*

<i>In thousands</i>	Fiscal 2015	Fiscal 2014	Fiscal 2013
Net earnings	\$ 310,068	\$ 308,854	\$ 278,902
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	(7,958)	(9,305)	(7,850)
Change in fair value of derivative financial instruments	1,074	806	870
Reclassification adjustment for realized gains on derivative financial instruments	(1,184)	(573)	(129)
Comprehensive income	\$ 302,000	\$ 299,782	\$ 271,793

See Notes to Consolidated Financial Statements.

Williams-Sonoma, Inc.
Consolidated Balance Sheets

In thousands, except per share amounts

Jan. 31, 2016 Feb. 1, 2015

ASSETS

Current assets

Cash and cash equivalents	\$ 193,647	\$ 222,927
Accounts receivable, net	79,304	67,465
Merchandise inventories, net	978,138	887,701
Prepaid catalog expenses	28,919	33,942
Prepaid expenses	44,654	36,265
Deferred income taxes, net	—	130,618
Other assets	11,438	13,005

Total current assets	1,336,100	1,391,923
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Property and equipment, net	886,813	883,012
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Non-current deferred income taxes, net	141,784	4,265
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Other assets, net	52,730	51,077
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Total assets	\$ 2,417,427	\$ 2,330,277
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities

Accounts payable	\$ 447,412	\$ 397,037
Accrued salaries, benefits and other	127,122	136,012
Customer deposits	296,827	261,679
Income taxes payable	67,052	32,488
Current portion of long-term debt	—	1,968
Other liabilities	58,014	46,764

Total current liabilities	996,427	875,948
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Deferred rent and lease incentives	173,061	166,925
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Other long-term obligations	49,713	62,698
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Total liabilities	1,219,201	1,105,571
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Commitments and contingencies – See Note J

Stockholders' equity

Preferred stock: \$.01 par value; 7,500 shares authorized; none issued	—	—
Common stock: \$.01 par value; 253,125 shares authorized; 89,563 and 91,891 shares issued and outstanding at January 31, 2016 and February 1, 2015, respectively	896	919
Additional paid-in capital	541,307	527,261
Retained earnings	668,545	701,214
Accumulated other comprehensive loss	(10,616)	(2,548)
Treasury stock – at cost: 29 and 35 shares as of January 31, 2016 and February 1, 2015, respectively	(1,906)	(2,140)

Total stockholders' equity	1,198,226	1,224,706
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Total liabilities and stockholders' equity	\$ 2,417,427	\$ 2,330,277
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See Notes to Consolidated Financial Statements.

Williams-Sonoma, Inc.
Consolidated Statements of Cash Flows

<i>In thousands</i>	Fiscal 2015	Fiscal 2014	Fiscal 2013
Cash flows from operating activities:			
Net earnings	\$ 310,068	\$ 308,854	\$ 278,902
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation and amortization	167,760	162,273	149,795
Loss on disposal/impairment of assets	4,339	2,410	2,764
Amortization of deferred lease incentives	(24,721)	(24,419)	(25,382)
Deferred income taxes	(7,436)	(248)	(28,344)
Tax benefit related to stock-based awards	14,592	26,952	8,817
Excess tax benefit related to stock-based awards	(14,494)	(26,560)	(8,743)
Stock-based compensation expense	41,357	44,632	38,788
Other	149	595	—
Changes in:			
Accounts receivable	(12,849)	(9,366)	786
Merchandise inventories	(92,647)	(76,964)	(174,664)
Prepaid catalog expenses	5,022	(386)	3,675
Prepaid expenses and other assets	(9,245)	(61)	(13,649)
Accounts payable	60,507	4,455	135,095
Accrued salaries, benefits and other current and long-term liabilities	(135)	8,867	43,635
Customer deposits	35,877	34,400	21,578
Deferred rent and lease incentives	31,334	23,297	13,238
Income taxes payable	34,548	(17,034)	7,478
Net cash provided by operating activities	544,026	461,697	453,769
Cash flows from investing activities:			
Purchases of property and equipment	(202,935)	(204,800)	(193,953)
Restricted cash receipts	—	14,289	1,766
Proceeds from insurance reimbursements	683	1,644	1,518
Other	86	267	45
Net cash used in investing activities	(202,166)	(188,600)	(190,624)
Cash flows from financing activities:			
Repurchase of common stock	(224,995)	(224,377)	(239,274)
Payment of dividends	(127,636)	(125,758)	(111,581)
Borrowings under revolving line of credit	200,000	90,000	—
Repayments of borrowings under revolving line of credit	(200,000)	(90,000)	—
Tax withholdings related to stock-based awards	(31,790)	(56,977)	(18,096)
Excess tax benefit related to stock-based awards	14,494	26,560	8,743
Net proceeds related to stock-based awards	2,647	4,077	6,614
Repayments of long-term obligations	(1,968)	(1,785)	(1,724)
Other	(135)	(760)	(58)
Net cash used in financing activities	(369,383)	(379,020)	(355,376)
Effect of exchange rates on cash and cash equivalents	(1,757)	(1,271)	(2,203)
Net decrease in cash and cash equivalents	(29,280)	(107,194)	(94,434)
Cash and cash equivalents at beginning of year	222,927	330,121	424,555
Cash and cash equivalents at end of year	\$ 193,647	\$ 222,927	\$ 330,121
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	\$ 1,989	\$ 1,269	\$ 1,270
Cash paid during the year for income taxes, net of refunds	\$ 134,478	\$ 172,305	\$ 186,968
Non-cash investing activities:			
Purchases of property and equipment not yet paid for at end of period	\$ 2,715	\$ 4,808	\$ 9,034

See Notes to Consolidated Financial Statements.