

PRICESMART, INC.
CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

	August 31,	
	2016	2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 199,522	\$ 157,072
Short-term restricted cash	518	61
Receivables, net of allowance for doubtful accounts of \$7 as of August 31, 2016 and \$0 as of August 31, 2015, respectively	7,464	9,662
Merchandise inventories	282,907	267,175
Prepaid expenses and other current assets	22,143	22,535
Total current assets	512,554	456,505
Long-term restricted cash	2,676	1,464
Property and equipment, net	473,045	433,040
Goodwill	35,637	35,871
Deferred tax assets	12,258	14,845
Other non-current assets (includes \$3,224 and \$4,129 as of August 31, 2016 and August 31, 2015, respectively, for the fair value of derivative instruments)	49,798	39,182
Investment in unconsolidated affiliates	10,767	10,317
Total Assets	\$ 1,096,735	\$ 991,224
LIABILITIES AND EQUITY		
Current Liabilities:		
Short-term borrowings	\$ 16,534	\$ 6,606
Accounts payable	267,173	241,978
Accrued salaries and benefits	19,606	17,977
Deferred membership income	20,920	20,184
Income taxes payable	4,226	9,595
Other accrued expenses (includes \$110 and \$66 as of August 31, 2016 and August 31, 2015, respectively, for the fair value of foreign currency forward contracts)	24,880	23,558
Long-term debt, current portion	14,565	17,169
Total current liabilities	367,904	337,067
Deferred tax liability	1,760	1,755
Long-term portion of deferred rent	8,961	6,595
Long-term income taxes payable, net of current portion	970	1,402
Long-term debt, net of current portion	73,542	73,365
Other long-term liabilities includes \$1,514 and \$1,699 for the fair value of derivative instruments and \$4,013 and \$2,757 for post employment plans as of August 31, 2016 and August 31, 2015, respectively)	5,527	4,456
Total Liabilities	458,664	424,640

Equity:		
Common stock \$0.0001 par value, 45,000,000 shares authorized; 31,237,658 and 30,977,764 shares issued and 30,401,307 and 30,184,584 shares outstanding (net of treasury shares) as of August 31, 2016 and August 31, 2015, respectively		
	3	3
Additional paid-in capital	412,369	403,168
Tax benefit from stock-based compensation	11,321	10,711
Accumulated other comprehensive loss	(103,951)	(101,512)
Retained earnings	351,060	283,611
Less: treasury stock at cost, 836,351 and 793,180 shares as of August 31, 2016 and August 31, 2015, respectively	(32,731)	(29,397)
Total Equity	<u>638,071</u>	<u>566,584</u>
Total Liabilities and Equity	<u>\$ 1,096,735</u>	<u>\$ 991,224</u>

See accompanying notes.

PRICESMART, INC.
CONSOLIDATED STATEMENTS OF INCOME
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

	Years Ended August 31,		
	2016	2015	2014
Revenues:			
Net warehouse club sales	\$ 2,820,740	\$ 2,721,132	\$ 2,444,314
Export sales	33,813	33,279	31,279
Membership income	45,781	43,673	38,063
Other income	4,842	4,519	3,911
Total revenues	<u>2,905,176</u>	<u>2,802,603</u>	<u>2,517,567</u>
Operating expenses:			
Cost of goods sold:			
Net warehouse club	2,417,366	2,321,074	2,083,933
Export	32,260	31,765	29,731
Selling, general and administrative:			
Warehouse club operations	252,130	241,285	212,476
General and administrative	64,344	56,371	49,944
Pre-opening expenses	1,191	3,737	3,331
Loss/(gain) on disposal of assets	1,162	2,005	1,445
Total operating expenses	<u>2,768,453</u>	<u>2,656,237</u>	<u>2,380,860</u>
Operating income	136,723	146,366	136,707
Other income (expense):			
Interest income	1,307	1,058	853
Interest expense	(5,891)	(6,440)	(4,295)
Other income (expense), net	(899)	(4,388)	984
Total other income (expense)	<u>(5,483)</u>	<u>(9,770)</u>	<u>(2,458)</u>
Income before provision for income taxes and income (loss) of unconsolidated affiliates	131,240	136,596	134,249
Provision for income taxes	(42,849)	(47,566)	(41,372)
Income (loss) of unconsolidated affiliates	332	94	9
Net income	<u>\$ 88,723</u>	<u>\$ 89,124</u>	<u>\$ 92,886</u>
Net income per share available for distribution:			
Basic net income per share	<u>\$ 2.92</u>	<u>\$ 2.95</u>	<u>\$ 3.07</u>
Diluted net income per share	<u>\$ 2.92</u>	<u>\$ 2.95</u>	<u>\$ 3.07</u>
Shares used in per share computations:			
Basic	<u>29,928</u>	<u>29,848</u>	<u>29,747</u>
Diluted	<u>29,933</u>	<u>29,855</u>	<u>29,757</u>
Dividends per share	<u>\$ 0.70</u>	<u>\$ 0.70</u>	<u>\$ 0.70</u>

See accompanying notes.

PRICESMART, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(AMOUNTS IN THOUSANDS)

	Years Ended August 31,		
	2016	2015	2014
Net income	\$ 88,723	\$ 89,124	\$ 92,886
Other Comprehensive Income, net of tax:			
Foreign currency translation adjustments ⁽¹⁾	\$ (1,702)	\$ (50,130)	\$ (8,089)
Defined benefit pension plan:			
Net gain (loss) arising during period	(182)	65	260
Amortization of prior service cost and actuarial gains included in net periodic pensions cost	(20)	(291)	5
Total defined benefit pension plan	(202)	(226)	265
Derivative instruments: ⁽²⁾			
Unrealized gains/(losses) on change in derivative obligations	1,826	(2,598)	—
Unrealized gains/(losses) on change in fair value of interest rate swaps	(2,361)	828	101
Amounts reclassified from accumulated other comprehensive income (loss) to other income (expense), for settlement of derivatives	—	(100)	(88)
Total derivative instruments	(535)	(1,870)	13
Other comprehensive income (loss)	(2,439)	(52,226)	(7,811)
Comprehensive income	\$ 86,284	\$ 36,898	\$ 85,075

- ⁽¹⁾ Translation adjustments arising in translating the financial statements of a foreign entity have no effect on the income taxes of that foreign entity. They may, however, affect: (a) the amount, measured in the parent entity's reporting currency, of withholding taxes assessed on dividends paid to the parent entity and (b) the amount of taxes assessed on the parent entity by the government of its country. The Company has determined that the reinvestment of earnings of its foreign subsidiaries are indefinite because of the long-term nature of the Company's foreign investment plans. Therefore, deferred taxes are not provided for on translation adjustments related to non-remitted earnings of the Company's foreign subsidiaries.

- ⁽²⁾ See Note 12 - Derivative Instruments and Hedging Activities.

See accompanying notes.

PRICESMART, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(AMOUNTS IN THOUSANDS)

	Common Stock		Additional Paid-in Capital	Tax Benefit From Stock Based Compensation	Accumulated Other Comprehensive Income(Loss)	Retained Earnings	Treasury Stock		Total Equity
	Shares	Amount					Shares	Amount	
Balance at August 31, 2013	30,924 \$	3 \$	390,581 \$	8,016 \$	(41,475) \$	143,871	690 \$	(19,947) \$	481,049
Purchase of treasury stock	—	—	—	—	—	—	51	(4,773)	(4,773)
Issuance of restricted stock	24	—	—	—	—	—	—	—	—
Forfeiture of restricted stock awards	(2)	—	—	—	—	—	—	—	—
Exercise of stock options	5	—	118	—	—	—	—	—	118
Stock-based compensation	—	—	6,451	1,489	—	—	—	—	7,940
Dividend paid to stockholders	—	—	—	—	—	(21,144)	—	—	(21,144)
Net income	—	—	—	—	—	92,886	—	—	92,886
Other comprehensive income (loss)	—	—	—	—	(7,811)	—	—	—	(7,811)
Balance at August 31, 2014	30,951 \$	3 \$	397,150 \$	9,505 \$	(49,286) \$	215,613	741 \$	(24,720) \$	548,265
Purchase of treasury stock	—	—	—	—	—	—	52	(4,677)	(4,677)
Issuance of restricted stock award	33	—	—	—	—	—	—	—	—
Forfeiture of restricted stock awards	(9)	—	—	—	—	—	—	—	—
Exercise of stock options	3	—	49	—	—	—	—	—	49
Stock-based compensation	—	—	5,969	1,206	—	—	—	—	7,175
Dividend paid to stockholders	—	—	—	—	—	(21,126)	—	—	(21,126)
Net income	—	—	—	—	—	89,124	—	—	89,124
Other comprehensive income (loss)	—	—	—	—	(52,226)	—	—	—	(52,226)
Balance at August 31, 2015	30,978 \$	3 \$	403,168 \$	10,711 \$	(101,512) \$	283,611	793 \$	(29,397) \$	566,584
Purchase of treasury stock	—	—	—	—	—	—	43	(3,334)	(3,334)
Issuance of restricted stock award	256	—	—	—	—	—	—	—	—
Forfeiture of restricted stock awards	—	—	—	—	—	—	—	—	—
Exercise of stock options	4	—	80	—	—	—	—	—	80
Stock-based compensation	—	—	9,121	610	—	—	—	—	9,731
Dividend paid to stockholders	—	—	—	—	—	(21,274)	—	—	(21,274)
Net income	—	—	—	—	—	88,723	—	—	88,723
Other comprehensive income (loss)	—	—	—	—	(2,439)	—	—	—	(2,439)
Balance at August 31, 2016	31,238 \$	3 \$	412,369 \$	11,321 \$	(103,951) \$	351,060	836 \$	(32,731) \$	638,071

See accompanying notes.

PRICESMART, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(AMOUNTS IN THOUSANDS)

	Years Ended August 31,		
	2016	2015	2014
Operating Activities:			
Net income	\$ 88,723	\$ 89,124	\$ 92,886
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	39,794	34,445	28,475
Allowance for doubtful accounts	7	—	—
(Gain)/loss on sale of property and equipment	1,162	2,005	1,445
Deferred income taxes	2,875	2,972	2,362
Excess tax benefit on stock-based compensation	(610)	(1,206)	(1,489)
Equity in (gains) losses of unconsolidated affiliates	(332)	(94)	(9)
Stock-based compensation	9,121	5,969	6,451
Proceeds from the settlement of derivatives	—	8,543	—
Change in operating assets and liabilities:			
Receivables, prepaid expenses and other current assets, accrued salaries and benefits, deferred membership income and other accruals	(8,348)	(6,886)	(11,676)
Merchandise inventories	(15,732)	(40,792)	(8,970)
Accounts payable	23,202	16,423	27,800
Net cash provided by (used in) operating activities	139,862	110,503	137,275
Investing Activities:			
Additions to property and equipment	(77,700)	(89,185)	(118,101)
Deposits for land purchase option agreements	(442)	1,095	(850)
Proceeds from disposal of property and equipment	86	368	142
Capital contributions to joint ventures	(119)	(1,360)	(750)
Net cash provided by (used in) investing activities	(78,175)	(89,082)	(119,559)
Financing Activities:			
Proceeds from long-term bank borrowings	14,370	52,977	41,942
Repayment of long-term bank borrowings	(16,525)	(30,905)	(23,756)
Proceeds from short-term bank borrowings	28,927	51,664	28,168
Repayment of short-term bank borrowings	(19,314)	(42,143)	(28,172)
Repayment of long-term debt with cross-currency interest rate swaps	—	(24,000)	—
Cash dividend payments	(21,274)	(21,126)	(21,144)
Release of restricted cash	—	26,920	8,000
Excess tax benefit on stock-based compensation	610	1,206	1,489
Purchase of treasury stock	(3,334)	(4,677)	(4,773)
Proceeds from exercise of stock options	80	49	118
Net cash provided by (used in) financing activities	(16,460)	9,965	1,872
Effect of exchange rate changes on cash and cash equivalents	(2,777)	(11,412)	(4,364)
Net increase (decrease) in cash and cash equivalents	42,450	19,974	15,224
Cash and cash equivalents at beginning of period	157,072	137,098	121,874
Cash and cash equivalents at end of period	<u>\$ 199,522</u>	<u>\$ 157,072</u>	<u>\$ 137,098</u>
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest, net of amounts capitalized	\$ 4,903	\$ 6,093	\$ 3,765
Income taxes	\$ 51,238	\$ 44,174	\$ 44,261

See accompanying notes.