

BIG LOTS, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(In thousands, except per share amounts)

	2016	2015	2014
Net sales	\$ 5,200,439	\$ 5,190,582	\$ 5,177,078
Cost of sales (exclusive of depreciation expense shown separately below)	3,101,020	3,123,396	3,133,124
Gross margin	2,099,419	2,067,186	2,043,954
Selling and administrative expenses	1,731,006	1,708,717	1,699,764
Depreciation expense	120,440	122,737	119,702
Operating profit	247,973	235,732	224,488
Interest expense	(5,091)	(3,683)	(2,588)
Other income (expense)	1,359	(5,199)	—
Income from continuing operations before income taxes	244,241	226,850	221,900
Income tax expense	91,458	83,842	85,239
Income from continuing operations	152,783	143,008	136,661
Income (loss) from discontinued operations, net of tax (expense) benefit of \$(14), \$(135), and \$13,852, respectively	45	(135)	(22,385)
Net income	\$ 152,828	\$ 142,873	\$ 114,276
Earnings per common share - basic			
Continuing operations	\$ 3.37	\$ 2.83	\$ 2.49
Discontinued operations	—	—	(0.41)
	\$ 3.37	\$ 2.83	\$ 2.08
Earnings per common share - diluted			
Continuing operations	\$ 3.32	\$ 2.81	\$ 2.46
Discontinued operations	—	—	(0.40)
	\$ 3.32	\$ 2.80	\$ 2.06
Cash dividends declared per common share			
	\$ 0.84	\$ 0.76	\$ 0.51

The accompanying notes are an integral part of these consolidated financial statements.

BIG LOTS, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(In thousands)

	2016	2015	2014
Net income	\$ 152,828	\$ 142,873	\$ 114,276
Other comprehensive income (loss):			
Foreign currency translation	—	—	5,022
Amortization of pension, net of tax benefit of \$(886), \$(702), and \$(579), respectively	1,355	1,119	884
Valuation adjustment of pension, net of tax (benefit) expense of \$(9,556), \$1,530, and \$4,613, respectively	14,622	(2,440)	(7,051)
Total other comprehensive income (loss)	15,977	(1,321)	(1,145)
Comprehensive income	\$ 168,805	\$ 141,552	\$ 113,131

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BIG LOTS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands, except par value)

	January 28, 2017	January 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 51,164	\$ 54,144
Inventories	858,689	849,982
Other current assets	84,526	90,306
Total current assets	994,379	994,432
Property and equipment - net	525,851	559,924
Deferred income taxes	46,469	47,739
Other assets	41,008	38,275
Total assets	\$ 1,607,707	\$ 1,640,370
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 400,495	\$ 382,277
Property, payroll, and other taxes	81,306	76,568
Accrued operating expenses	71,251	81,756
Insurance reserves	40,269	40,661
Accrued salaries and wages	54,009	72,250
Income taxes payable	31,265	24,936
Total current liabilities	678,595	678,448
Long-term obligations	106,400	62,300
Deferred rent	56,035	59,454
Insurance reserves	56,593	58,359
Unrecognized tax benefits	15,853	17,789
Other liabilities	43,601	43,550
Shareholders' equity:		
Preferred shares - authorized 2,000 shares; \$0.01 par value; none issued	—	—
Common shares - authorized 298,000 shares; \$0.01 par value; issued 117,495 shares; outstanding 44,259 shares and 49,101 shares, respectively	1,175	1,175
Treasury shares - 73,236 shares and 68,394 shares, respectively, at cost	(2,291,379)	(2,063,091)
Additional paid-in capital	617,516	588,124
Retained earnings	2,323,318	2,210,239
Accumulated other comprehensive loss	—	(15,977)
Total shareholders' equity	650,630	720,470
Total liabilities and shareholders' equity	\$ 1,607,707	\$ 1,640,370

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BIG LOTS, INC. AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
(In thousands)

	Common		Treasury		Additional	Retained	Accumulated	
	Shares	Amount	Shares	Amount	Paid-In	Earnings	Other	Total
					Capital		Comprehensive	
							Loss	
Balance - February 1, 2014	57,548	\$ 1,175	59,947	\$(1,670,041)	\$ 562,447	\$ 2,021,357	\$ (13,511)	\$ 901,427
Comprehensive income	—	—	—	—	—	114,276	(1,145)	113,131
Dividends declared (\$0.51 per share)	—	—	—	—	—	(28,533)	—	(28,533)
Purchases of common shares	(6,122)	—	6,122	(250,671)	—	—	—	(250,671)
Exercise of stock options	1,389	—	(1,389)	39,440	3,166	—	—	42,606
Restricted shares vested	70	—	(70)	1,995	(1,995)	—	—	—
Performance shares vested	25	—	(25)	716	(716)	—	—	—
Tax benefit from share-based awards	—	—	—	—	994	—	—	994
Share activity related to deferred compensation plan	2	—	(2)	38	24	—	—	62
Share-based employee compensation expense	—	—	—	—	10,534	—	—	10,534
Balance - January 31, 2015	52,912	1,175	64,583	(1,878,523)	574,454	2,107,100	(14,656)	789,550
Comprehensive income	—	—	—	—	—	142,873	(1,321)	141,552
Dividends declared (\$0.76 per share)	—	—	—	—	—	(39,734)	—	(39,734)
Purchases of common shares	(4,403)	—	4,403	(201,867)	—	—	—	(201,867)
Exercise of stock options	450	—	(450)	13,149	3,134	—	—	16,283
Restricted shares vested	128	—	(128)	3,747	(3,747)	—	—	—
Performance shares vested	—	—	—	—	—	—	—	—
Tax benefit from share-based awards	—	—	—	—	687	—	—	687
Share activity related to deferred compensation plan	1	—	(1)	19	4	—	—	23
Other	13	—	(13)	384	113	—	—	497
Share-based employee compensation expense	—	—	—	—	13,479	—	—	13,479
Balance - January 30, 2016	49,101	1,175	68,394	(2,063,091)	588,124	2,210,239	(15,977)	720,470
Comprehensive income	—	—	—	—	—	152,828	15,977	168,805
Dividends declared (\$0.84 per share)	—	—	—	—	—	(39,749)	—	(39,749)
Purchases of common shares	(5,685)	—	5,685	(254,304)	—	—	—	(254,304)
Exercise of stock options	573	—	(573)	17,834	3,822	—	—	21,656
Restricted shares vested	252	—	(252)	7,649	(7,649)	—	—	—
Performance shares vested	13	—	(13)	394	(394)	—	—	—
Tax benefit from share-based awards	—	—	—	—	510	—	—	510
Share activity related to deferred compensation plan	—	—	—	3	6	—	—	9
Other	5	—	(5)	136	68	—	—	204
Share-based employee compensation expense	—	—	—	—	33,029	—	—	33,029
Balance - January 28, 2017	44,259	\$ 1,175	73,236	\$(2,291,379)	\$ 617,516	\$ 2,323,318	\$ —	\$ 650,630

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BIG LOTS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)

	2016	2015	2014
Operating activities:			
Net income	\$ 152,828	\$ 142,873	\$ 114,276
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	108,315	108,054	105,849
Deferred income taxes	(9,171)	(617)	22,628
Non-cash share-based compensation expense	33,029	13,479	10,534
Excess tax benefit from share-based awards	(1,111)	(1,330)	(3,776)
Non-cash impairment charge	100	386	3,532
(Gain) loss on disposition of property and equipment	(2,899)	1,464	2,759
Unrealized (gain) loss on fuel derivatives	(3,657)	4,665	—
Pension expense, net of contributions	6,644	(5,312)	4,190
Change in assets and liabilities, excluding effects of foreign currency adjustments:			
Inventories	(8,707)	1,687	63,336
Accounts payable	18,217	23,345	(6,864)
Current income taxes	12,391	29,305	(21,549)
Other current assets	34	(12,189)	3,181
Other current liabilities	(4,789)	22,282	20,718
Other assets	(3,976)	3,806	3,206
Other liabilities	14,677	10,454	(3,458)
Net cash provided by operating activities	311,925	342,352	318,562
Investing activities:			
Capital expenditures	(89,782)	(125,989)	(93,460)
Cash proceeds from sale of property and equipment	5,061	12,773	2,783
Other	20	23	(72)
Net cash used in investing activities	(84,701)	(113,193)	(90,749)
Financing activities:			
Net proceeds from (repayments of) borrowings under bank credit facility	44,100	200	(14,900)
Payment of capital lease obligations	(4,514)	(4,433)	(2,365)
Dividends paid	(38,466)	(38,530)	(27,828)
Proceeds from the exercise of stock options	21,656	16,283	42,606
Excess tax benefit from share-based awards	1,111	1,330	3,776
Payment for treasury shares acquired	(254,304)	(201,867)	(250,671)
Deferred bank credit facility fees paid	—	(779)	—
Other	213	520	62
Net cash used in financing activities	(230,204)	(227,276)	(249,320)
Impact of foreign currency on cash	—	—	5,139
(Decrease) increase in cash and cash equivalents	(2,980)	1,883	(16,368)
Cash and cash equivalents:			
Beginning of year	54,144	52,261	68,629
End of year	\$ 51,164	\$ 54,144	\$ 52,261

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