

PRICESMART INC
Form 10-K/A
January 09, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
(Amendment No. 1)

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the fiscal year ended August 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

Commission File Number: 000-22793

PRICESMART, INC.

(Exact name of registrant as specified in its charter)

DELAWARE 33-0628530
(State of other jurisdiction (I.R.S. Employer
of Identification Number)

incorporation or
organization)

9740 SCRANTON RD, SAN DIEGO, CA 92121
(Address of principal executive offices, Zip Code)

Registrant's telephone number, including area code: (858) 404-8800

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$0.0001 Par Value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the
Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of
the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13
or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter

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period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting Company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the Registrant's voting and non-voting common equity held by non-affiliates of the Registrant as of the last day of the Registrant's most recently completed second fiscal quarter was \$375,639,815, based on the last reported sale price of \$35.59 per share on the NASDAQ Global Select Market on February 28, 2011.

As of November 1, 2011, 29,900,030 shares of Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Annual Report for the fiscal year ended August 31, 2011 are incorporated by reference into Part II of this Form 10-K.

Portions of the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on January 25, 2012 are incorporated by reference into Part III of this Form 10-K.

Explanatory Note

This amendment No. 1 is filed to amend the Annual Report on Form 10-K (the “Form 10-K”) of PriceSmart, Inc. (“PriceSmart” or the “Company”) for the year ended August 31, 2011, originally filed on November 9, 2011, to correct disclosures in the Form 10-K as discussed below. The following items were amended (Dollar amounts in thousands):

- Item 8. Financial Statements and Supplementary Data. The information required by Item 8 was incorporated by reference to PriceSmart's Annual Report to Stockholders for the fiscal year ended August 31, 2011 under the heading “Financial Statements and Supplementary Data.” Excerpts from the Annual Report, including “Financial Statements and Supplementary Data”, were filed with the Form 10-K on Exhibit 13.1. The Company has corrected the total reported for comprehensive income for the fiscal year ended August 31, 2011 in the Consolidated Statements of Stockholders Equity. The original amount for the total reported was \$59,744. This amount total was a typographical error and has been corrected to read \$55,507.
- Item 15. Exhibits, Financial Statements Schedules. The Financial Statements and Supplementary Data have been updated as described above and a corrected Exhibit 13.1 is included with the amended filing.

Except as described above, no other changes have been made to the Form 10-K. The Form 10-K, as amended, continues to speak as of the date of the original filing, and the Company has not updated the disclosures contained therein to reflect any events that occurred subsequent to the original filing. As part of the amended filing, Exhibits 31.1, 31.2, 32.1 and 32.2 containing the certifications of our Chief Executive Officer and Chief Financial Officer as well as Exhibit 23.1, containing the consent of our independent registered public accounting firm, that were filed as exhibits to the original filing have been re-executed and re-filed as of the date of this amended filing.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The documents listed in the following table, which are included in its Annual Report to Stockholders, are incorporated herein by reference to the portions of this Annual Report on Form 10-K filed as Exhibit 13.1 hereto.

(1) and (2) Financial Statements

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets

Consolidated Statements of Income

Consolidated Statements of Stockholders' Equity

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

Schedules not included herein have been omitted because they are not applicable or the required information is included in the consolidated financial statements or notes thereto.

(3) The following exhibits are filed as part of this Form 10-K and this list includes the Exhibit Index.

| Exhibit Number | Description |
|----------------|---|
| 3.1(1) | Amended and Restated Certificate of Incorporation of the Company. |
| 3.2(33) | Certificate of Amendment of Amended and Restated Certificate of Incorporation of the Company. |
| 3.3(30) | Certificate of Amendment of Amended and Restated Certificate of Incorporation of the Company. |
| 3.4(1) | Amended and Restated Bylaws of the Company. |
| 3.5(34) | Amendment to Amended and Restated Bylaws of the Company. |
| 4.1(36) | Specimen of Common Stock certificate. |

10.1(1)** 1997 Stock Option Plan of PriceSmart, Inc.

10.2(a)(39) Settlement Agreement and General Release of All Claims, entered into on August 5, 2005, by and among William Go, E-Class Corporation, PSMT Philippines, Inc., National Import and Export Company, San Marino International Corporation, Arcadia International Corporation, Christine Merchandising, Inc. and PriceSmart, Inc.

10.2(b)(48) International Loan Swap Agreement with Citibank, N.A. dated as of February 13, 2008.

10.2(d)(53) Loan Facility Agreement between PriceSmart (Trinidad) Limited and First Caribbean International Bank (Trinidad & Tobago) Limited dated February 19, 2009.

10.2(e)(55) Loan Agreement dated August 13, 2009 between PriceSmart, SA. and the Bank of Nova Scotia.

- 10.3(a)(3)** Employment Agreement between Price Enterprises, Inc. and Robert M. Gans, dated September 20, 1994.
- 10.3(b)(4)** Third Amendment to Employment Agreement between Price Enterprises, Inc. and Robert M. Gans, dated April 28, 1997.
- 10.3(c)(1)** Fourth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of September 2, 1997.
- 10.3(d)(5)** Fifth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of March 31, 1999.
- 10.3(e)(6)** Sixth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of November 22, 1999.
- 10.3(f)(6)** Seventh Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of July 18, 2000.
- 10.3(g)(7)** Eighth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of September 26, 2001.
- 10.3(h)(7)** Amendment of Employment Agreement between the Company and Robert M. Gans, dated as of October 16, 2001.
- 10.3(i)(8)** Ninth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of November 19, 2002.
- 10.3(j)(9)** Tenth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of January 22, 2003.
- 10.3(k)(10)** Eleventh Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of July 24, 2003.
- 10.3(l)(46)** Twelfth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of September 24, 2004.
- 10.3(m)(37)** Thirteenth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of February 10, 2005.
- 10.3(n)(40)** Fourteenth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of September 26, 2005.
- 10.3(o)(42)** Fifteenth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of March 1, 2006.
- 10.3(p)(47)** Sixteenth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of September 25, 2006.
- 10.3(q)(44)**

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Seventeenth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of January 1, 2007.

10.3(r)(50)** Eighteenth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of October 1, 2007.

10.3(s)(48)** Nineteenth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of January 1, 2008.

10.3(t)(51)** Twentieth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of October 1, 2008.

10.3(u)(52)** Twenty First Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of November 13, 2008.

10.3(v)(53)** Twenty Second Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of January 1, 2009.

10.3(w)(56)** Twenty Third Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of October 1, 2009.

10.3(x)(57)** Twenty Fourth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of January 1, 2010.

10.3(y)(60)** Twenty Fifth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of October 6, 2010.

10.3(z)(61)** Twenty Sixth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of January 10, 2011.

10.3(aa)(62)** Twenty Seventh Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of April 1, 2011.

10.4(a)(61)** Employment Agreement between the Company and John M. Heffner, dated January 31, 2011.

10.4(b)(62)** First Amendment to Employment Agreement between the Company and John M. Heffner, dated April 1, 2011.

10.5(12) Form of Indemnity Agreement.

10.8(a)(16)** Employment Agreement between the Company and Thomas D. Martin, dated March 31, 1998.

10.8(b)(5)** First Amendment to Employment Agreement between the Company and Thomas D. Martin, dated March 31, 1999.

10.8(c)(6)** Second Amendment of Employment Agreement between the Company and Thomas D. Martin, dated November 22, 1999.

10.8(d)(13)**

Third Amendment of Employment Agreement between the Company and Thomas Martin dated January 11, 2000.

- 10.8(e)(17)** Fourth Amendment of Employment Agreement between the Company and Thomas Martin dated January 24, 2001.
- 10.8(f)(7)** Amendment of Employment Agreement between the Company and Thomas Martin dated October 16, 2001.
- 10.8(g)(14)** Fifth Amendment of Employment Agreement between the Company and Thomas Martin, dated January 16, 2002.
- 10.8(h)(10)** Sixth Amendment of Employment Agreement between the Company and Thomas Martin, dated January 22, 2003.
- 10.8(i)(34)** Seventh Amendment to Employment Agreement between the Company and Thomas Martin, dated March 15, 2004.
- 10.8(j)(38)** Eighth Amendment to Employment Agreement between the Company and Thomas Martin, dated March 3, 2005.
- 10.8(k)(42)** Ninth Amendment to Employment Agreement between the Company and Thomas Martin dated March 1, 2006.
- 10.8(l)(44)** Tenth Amendment to Employment Agreement between the Company and Thomas Martin dated January 1, 2007.
- 10.8(m)(45)** Eleventh Amendment to Employment Agreement between the Company and Thomas Martin dated March 1, 2007.
- 10.8(n)(48)** Twelfth Amendment to Employment Agreement between the Company and Thomas Martin dated January 1, 2008.
- 10.8(o)(49)** Thirteenth Amendment to Employment Agreement between the Company and Thomas Martin dated March 1, 2008.
- 10.8(p)(52)** Fourteenth Amendment to Employment Agreement between the Company and Thomas Martin dated November 13, 2008.
- 10.8(q)(53)** Fifteenth Amendment to Employment Agreement between the Company and Thomas Martin dated January 1, 2009.
- 10.8(r)(54)** Sixteenth Amendment to Employment Agreement between the Company and Thomas Martin dated March 1, 2009.
- 10.8(s)(57)** Seventeenth Amendment to Employment Agreement between the Company and Thomas Martin dated January 1, 2010.
- 10.8(t)(57)** Eighteenth Amendment to Employment Agreement between the Company and Thomas Martin dated February 1, 2010.
- 10.8(u)(58)** Nineteenth Amendment to Employment Agreement between the Company and Thomas Martin dated March 15, 2010.

- 10.8(v)(61)** Twentieth Amendment to Employment Agreement between the Company and Thomas Martin dated January 10, 2011.
- 10.8(w)(62)** Twenty-First Amendment to Employment Agreement between the Company and Thomas Martin dated March 1, 2011.
- 10.8(x)(62)** Twenty-Second Amendment to Employment Agreement between the Company and Thomas Martin dated April 1, 2011.
- 10.9(19)** 1998 Equity Participation Plan of PriceSmart, Inc.
- 10.10(a)(52) Letter Agreement between RBTT Bank Ltd. and PriceSmart (Trinidad) Limited dated November 20, 2008.
- 10.10(b)(56) Line of Credit Agreement between PriceSmart and Bacbamer dated October 14, 2009.
- 10.11(52) Shareholders' Agreement between Pricsmarlandco, S.A. and JB Enterprises Inc. dated September 29, 2008.
- 10.12(52) Shareholder Agreement between Fundacion Tempus Fugit and PriceSmart Panama, S.A. dated September 24, 2008.
- 10.13(18) Trademark Agreement between the Company and Associated Wholesale Grocers, Inc., dated August 1, 1999.
- 10.23(17) Master Agreement between the Company and Payless ShoeSource Holdings, Ltd., dated November 27, 2000.
- 10.29(a)(14)** Employment Agreement between the Company and William Naylon, dated January 16, 2002.
- 10.29(b)(9)** First Amendment of Employment Agreement between the Company and William J. Naylon, dated January 22, 2003.
- 10.29(c)(33)** Second Amendment to Employment Agreement between the Company and William Naylon, dated February 1, 2004.

- 10.29(d)(37)** Third Amendment to Employment Agreement between the Company and William Naylon, dated as of February 16, 2005.
- 10.29(e)(41)** Fourth Amendment to Employment Agreement between the Company and William Naylon, dated as of January 11, 2006.
- 10.29(f)(42)** Fifth Amendment to Employment Agreement between the Company and William Naylon, dated as of March 1, 2006.
- 10.29(g)(44)** Sixth Amendment to Employment Agreement between the Company and William Naylon, dated as of January 1, 2007.
- 10.29(h)(48)** Seventh Amendment to Employment Agreement between the Company and William Naylon, dated as of January 1, 2008.
- 10.29(i)(52)** Eighth Amendment to Employment Agreement between the Company and William Naylon, dated as of November 13, 2008.
- 10.29(j)(53)** Ninth Amendment to Employment Agreement between the Company and William Naylon, dated as of January 1, 2009.
- 10.29(k)(57)** Tenth Amendment to Employment Agreement between the Company and William Naylon, dated as of January 1, 2010.
- 10.29(l)(61)** Eleventh Amendment to Employment Agreement between the Company and William Naylon, dated as of January 10, 2011.
- 10.29(m)(62)** Twelfth Amendment to Employment Agreement between the Company and William Naylon, dated as of April 1, 2011.
- 10.30(a)(7)** Employment Agreement between the Company and John D. Hildebrandt, dated as of June 1, 2001.
- 10.30(b)(7)** Amendment to Employment Agreement between the Company and John Hildebrandt, dated as of October 16, 2001.
- 10.30(c)(14)** First Amendment of Employment Agreement between the Company and John Hildebrandt, dated January 16, 2002.
- 10.30(d)(10)** Second Amendment of Employment Agreement between the Company and John Hildebrandt, dated January 22, 2003.
- 10.30(e)(34)** Third Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 15, 2004.
- 10.30(f)(38)** Fourth Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 9, 2005.
- 10.30(g)(42)**

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Fifth Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 1, 2006.

- 10.30(h)(44)** Sixth Amendment to Employment Agreement between the Company and John Hildebrandt, dated January 1, 2007.
- 10.30(i)(45)** Seventh Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 1, 2007.
- 10.30(j)(48)** Eighth Amendment to Employment Agreement between the Company and John Hildebrandt, dated January 1, 2008.
- 10.30(k)(49)** Ninth Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 1, 2008.
- 10.30(l)(52)** Tenth Amendment to Employment Agreement between the Company and John Hildebrandt, dated November 13, 2008.
- 10.30(m)(53)** Eleventh Amendment to Employment Agreement between the Company and John Hildebrandt, dated January 1, 2009.
- 10.30(n)(54)** Twelfth Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 1, 2009.
- 10.30(o)(54)** Thirteenth Amendment to Employment Agreement between the Company and John Hildebrandt, dated April 1, 2009.
- 10.30(p)(57)** Fourteenth Amendment to Employment Agreement between the Company and John Hildebrandt, dated January 1, 2010.
- 10.30(q)(57)** Fifteenth Amendment to Employment Agreement between the Company and John Hildebrandt, dated February 1, 2010.
- 10.30(r)(58)** Sixteenth Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 15, 2010.
- 10.30(s)(61)** Seventeenth Amendment to Employment Agreement between the Company and John Hildebrandt, dated January 10, 2011.
- 10.30(t)(62)** Eighteenth Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 1, 2011.
- 10.30(u)(62)** Nineteenth Amendment to Employment Agreement between the Company and John Hildebrandt, dated April 1, 2011.
- 10.33(22)** 2001 Equity Participation Plan of PriceSmart, Inc.
- 10.44(a)(8)** Employment Agreement between the Company and Brud Drachman, dated as of January 11, 2000.

- 10.44(b)(8)** First Amendment to Employment Agreement between the Company and Brud Drachman, dated January 24, 2001.
- 10.44(c)(8)** Second Amendment to Employment Agreement between the Company and Brud Drachman, dated June 1, 2001.
- 10.44(d)(8)** Amendment to Employment Agreement between the Company and Brud Drachman, dated October 16, 2001.
- 10.44(e)(8)** Third Amendment to Employment Agreement between the Company and Brud Drachman, dated January 16, 2002.
- 10.44(f)(10)** Fourth Amendment to Employment Agreement between the Company and Brud Drachman, dated November 19, 2002.
- 10.44(g)(10)** Fifth Amendment to Employment Agreement between the Company and Brud Drachman, dated January 22, 2003.
- 10.44(h)(34)** Sixth Amendment to Employment Agreement between the Company and Brud Drachman, dated March 15, 2004.
- 10.44(i)(38)** Seventh Amendment to Employment Agreement between the Company and Brud Drachman, dated March 9, 2005.
- 10.44(j)(42)** Eighth Amendment to Employment Agreement between the Company and Brud Drachman, dated March 1, 2006.
- 10.44(k)(44)** Ninth Amendment to Employment Agreement between the Company and Brud Drachman, dated January 1, 2007.
- 10.44(l)(45)** Tenth Amendment to Employment Agreement between the Company and Brud Drachman, dated March 1, 2007.
- 10.44(m)(48)** Eleventh Amendment to Employment Agreement between the Company and Brud Drachman, dated January 1, 2008.
- 10.44(n)(49)** Twelfth Amendment to Employment Agreement between the Company and Brud Drachman, dated March 1, 2008.
- 10.44(o)(52)** Thirteenth Amendment to Employment Agreement between the Company and Brud Drachman, dated November 13, 2008.
- 10.44(p)(53)** Fourteenth Amendment to Employment Agreement between the Company and Brud Drachman, dated January 1, 2009.
- 10.44(q)(54)** Fifteenth Amendment to Employment Agreement between the Company and Brud Drachman, dated March 1, 2009.
- 10.44(r)(57)**

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Sixteenth Amendment to Employment Agreement between the Company and Brud Drachman, dated January 1, 2010.

10.44(s)(58)** Seventeenth Amendment to Employment Agreement between the Company and Brud Drachman, dated March 15, 2010.

10.44(t)(61)** Eighteenth Amendment to Employment Agreement between the Company and Brud Drachman, dated January 10, 2011.

10.44(u)(62)** Nineteenth Amendment to Employment Agreement between the Company and Brud Drachman, dated March 1, 2011.

10.44(v)(62)** Twentieth Amendment to Employment Agreement between the Company and Brud Drachman, dated April 1, 2011.

10.46(27)** 2002 Equity Participation Plan of PriceSmart, Inc.

10.54(a)(35)** Employment Agreement by and between the Company and Jose Luis Laparte, dated as of June 3, 2004.

10.54(b)(35)** First Amendment to Employment Agreement by and between the Company and Jose Luis Laparte, dated as of August 2, 2004.

10.54(c)(40)** Second Amendment to Employment Agreement between the Company and Jose Luis Laparte, dated as of September 26, 2005.

10.54(d)(42)** Third Amendment to Employment Agreement between the Company and Jose Luis Laparte, dated as of March 1, 2006.

10.54(e)(47)** Fourth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of September 25, 2006.

10.54(f)(44)** Fifth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of January 1, 2007.

10.54(g)(50)** Sixth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of October 1, 2007.

10.54(h)(50)** Seventh Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of October 31, 2007.

10.54(i)(48)** Eighth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of January 1, 2008.

10.54(j)(51)** Ninth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of October 1, 2008.

10.54(k)(52)** Tenth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of November 13, 2008.

- 10.54(l)(53)** Eleventh Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of January 1, 2009.
- 10.54(m)(56)** Twelfth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of October 1, 2009.
- 10.54(n)(57)** Thirteenth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of January 1, 2010.
- 10.54(o)(63)** Fourteenth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of July 15, 2010.
- 10.54(p)(60)** Fifteenth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of October 6, 2010.
- 10.54(q)(61)** Sixteenth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of January 10, 2011.
- 10.54(r)(62)** Seventeenth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of April 1, 2011.
- 10.71(a)(48) Lease Agreement between Flagler Development Company, LLC and PriceSmart, Inc.
- 10.71(b)(48) Promissory Note entered into between PSMT Barbados and Citibank, N.A. dated November 15, 2007.
- 10.71(c)(48) Loan Agreement entered into between PSMT Barbados and Citicorp Merchant Bank Limited dated November 15, 2007.
- 10.71(d)(56) Loan Agreement entered into between PriceSmart and ScotiaBank El Salvador dated September 1, 2009.
- 10.71(e)(57) Loan Agreement entered into between PriceSmart Honduras, S.A. de C.V. and ScotiaBank El Salvador S.A., dated January 12, 2010.
- 10.71(f)(58) Loan Agreement entered into between PriceSmart Honduras, a subsidiary of PriceSmart Inc., and Banco del Pais, S.A. dated March 16, 2010.
- 10.71(g)(58) PriceSmart Honduras S.A. de C.V. Certificate of Deposit, as security in favor of Banco del Pais, S.A. dated March 16, 2010.
- 10.71(h)(59) Commercial Mortgage Loan Agreement dated August 31, 2010 between PriceSmart Panama, S.A. and Metrobank, S.A.
- 10.71(i)(60) Loan Agreement between PriceSmart Colombia, S.A.S. and Citibank, N.A., dated as of November 1, 2010.
- 10.71(j)(60) Deposit Agreement between PriceSmart, Inc. and Citibank, N.A., New York, dated as of November 24, 2010.

- 10.71(k)(60) Purchase Agreement between PriceSmart Colombia S.A.S. and Cementos Argos S.A., dated as of May 16, 2010.
- 10.71(l)(60) Addenda No. 1 to Purchase Agreement between PriceSmart Colombia S.A.S. and Cementos Argos S.A., dated as of July 26, 2010.
- 10.71(m)(60)** Addenda No. 2 to Purchase Agreement between Colombia S.A.S. and Cementos Argos S.A., dated as of October 22, 2010.
- 10.71(n)(62)** Loan Agreement between PriceSmart Colombia, S.A.S. and Scotiabank & Trust (Cayman) Ltd., dated March 14, 2011.
- 10.72(a)(43)** Restricted Stock Award Agreement between the Company and Jose Luis Laparte dated December 7, 2006.
- 13.1* Portions of the Company's Annual Report to Stockholders for the year ended August 31, 2011.
- 21.1* Subsidiaries of the Company.
- 23.1* Consent of Independent Registered Public Accounting Firm.
- 31.1* Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2* Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1*# Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2*# Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

- * Filed herewith as an exhibit.
- **Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K.
- #These certifications are being furnished solely to accompany this Report pursuant to 18 U.S.C. 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of PriceSmart, Inc. whether made before or after the date hereof, regardless of any general incorporation language in such filing.
- (1) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 1997 filed with the Commission on November 26, 1997.
 - (2) Incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form 10 filed with the Commission on July 3, 1997.
 - (3) Incorporated by reference to Exhibit 10.14 to Amendment No. 1 to the Registration Statement on Form S-4 of Price Enterprises, Inc. filed with the Commission on November 3, 1994.
 - (4) Incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q of Price Enterprises, Inc. for the quarter ended June 8, 1997 filed with the Commission on July 17, 1997.
 - (5) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 1999 filed with the Commission on July 15, 1999.
 - (6) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 2000 filed with the Commission on November 29, 2000.
 - (7) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 2001 filed with the Commission on November 29, 2001.
 - (8) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 2002 filed with the Commission on November 29, 2002.
 - (9) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2003 filed with the Commission on April 14, 2003.
 - (10) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 2003 filed with the Commission on December 16, 2003.
 - (11) Incorporated by reference to the Current Report on Form 8-K filed September 12, 1997 by Price Enterprises, Inc.
 - (12) Incorporated by reference to Exhibit 10.8 to Amendment No. 1 to the Company's Registration Statement on Form 10 filed with the Commission on August 1, 1997.
 - (13) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 29, 2000 filed with the Commission on April 11, 2000.
 - (14) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2002 filed with the Commission on July 15, 2002.
 - (15) Incorporated by reference to the Current Report on Form 8-K filed with the Commission on April 1, 2003.
 - (16) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 1998 filed with the Commission on November 25, 1998.
 - (17) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2001 filed with the Commission on April 16, 2001.
 - (18) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 1999 filed with the Commission on November 29, 1999.
 - (19) Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 1999 filed with the Commission on April 14, 1999.
 - (20) Incorporated by reference to the Current Report on Form 8-K filed with the Commission on September 5, 2003.
 - (21) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2000 filed with the Commission on July 17, 2000.
 - (22) Incorporated by reference to Exhibit A to the definitive Proxy Statement dated December 7, 2001 for the Company's 2002 Annual Meeting of Stockholders filed with the Commission on December 10, 2001.

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- (23) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2002 filed with the Commission on April 15, 2002.
- (24) Incorporated by reference to the Company's Registration Statement on Form S-3 filed with the Commission on April 18, 2002.
- (25) Incorporated by reference to the Company's Registration Statement on Form S-3 filed with the Commission on July 19, 2002.
- (26) Incorporated by reference to the Company's Registration Statement on Form S-3 filed with the Commission on October 25, 2002.
- (27) Incorporated by reference to Exhibit A to the definitive Proxy Statement dated December 11, 2002 for the Company's 2003 Annual Meeting of Stockholders filed with the Commission on December 11, 2002.
- (28) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2003 filed with the Commission on July 15, 2003.
- (29) Incorporated by reference to the Current Report on Form 8-K filed with the Commission on September 5, 2003.
- (30) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 2004 filed with the Commission on November 24, 2004.
- (31) Incorporated by reference to the Quarterly Report on Form 10-Q for the quarter ended November 30, 2003 filed with the Commission on January 14, 2004.

- (32) Incorporated by reference to the Current Report on Form 8-K filed with the Commission on July 26, 2004.
- (33) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 29, 2004 filed with the Commission on April 14, 2004.
- (34) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2004 filed with the Commission on July 15, 2004.
- (35) Incorporated by reference to the Current Report on Form 8-K filed with the Commission on October 8, 2004.
- (36) Incorporated by reference to the Company's Registration Statement on Form S-3 filed with the Commission on December 2, 2004.
- (37) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2005 filed with the Commission on April 14, 2005.
- (38) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2005 filed with the Commission on June 15, 2005.
- (39) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Commission on August 18, 2005.
- (40) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 2005 filed with the Commission on January 17, 2006.
- (41) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2006 filed with the Commission on April 14, 2006.
- (42) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2006 filed with the Commission on July 14, 2006.
- (43) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 2006 filed with the Commission on January 9, 2007.
- (44) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2007 filed with the Commission on April 9, 2007.
- (45) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2007 filed with the Commission on July 3, 2007.
- (46) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 2004 filed with Commission on January 14, 2005.
- (47) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 2006 filed with the Commission on November 13, 2006.
- (48) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 29, 2008 filed with the Commission on April 9, 2008.
- (49) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2008 filed with the Commission on July 10, 2008.
- (50) Incorporated by reference to the Company's Annual Report on Form 10-K/A amendment 2 for the year ended August 31, 2007 filed with the Commission on July 11, 2008.
- (51) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 2008 filed with the Commission on November 12, 2008.
- (52) Incorporated by reference to the Company's Quarterly Report on Form 10-Q/A for the quarter ended November 30, 2008 filed with the Commission on January 14, 2009.
- (53) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2009 filed with the Commission on April 9, 2009.
- (54) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2009 filed with the Commission on July 10, 2009.
- (55) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 2009 filed with the Commission on November 9, 2009.
- (56) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 2009 filed with the Commission on January 8, 2010.
- (57) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2010 filed with the Commission on April 9, 2010.

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- (58) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2010 filed with the Commission on July 9, 2010.
- (59) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended August 31, 2010 filed with the Commission on November 9, 2010.
- (60) Incorporated by reference to the Company's Quarterly report on Form 10-Q for the quarter ended November 30, 2010 filed with the Commission on January 7, 2011.
- (61) Incorporated by reference to the Company's Quarterly report on Form 10-Q for the quarter ended February 28, 2011 filed with the Commission on April 7, 2011.
- (62) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2011 filed with the Commission on July 8, 2011.
- (63) Incorporated by reference to the Company's original filing of this Annual Report on Form 10-K for the year ended August 31, 2011 filed with the Commission on November 9, 2011.

Schedules not included herein have been omitted because they are not applicable or the required information is included in the consolidated financial statements or notes thereto.

(b) Financial Statement Schedules

- 1) Schedule II – Valuation and Qualifying Accounts and Reserves for each of the three years in the period ended August 31, 2011.

Report of Independent Registered Public Accounting Firm on Financial Statement Schedule

The Board of Directors and Stockholders of PriceSmart, Inc.

We have audited the consolidated financial statements of PriceSmart, Inc. as of August 31, 2011 and 2010, and for each of the three years in the period ended August 31, 2011, and have issued our report thereon dated November 9, 2011. Our audits also included the financial statement schedule listed in Item 15(b)1. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

San Diego, California
November 9, 2011

SCHEDULE II

PRICESMART, INC.

VALUATION AND QUALIFYING ACCOUNTS
(amounts in thousands)

| | Balance at Beginning of Period | Charged to Costs and Expenses | Deductions | Balance at End of Period |
|-------------------------------------|--------------------------------------|-------------------------------------|------------|--------------------------------|
| Allowance for doubtful accounts: | | | | |
| Year ended August 31, 2009 | \$ 11 | \$ 44 | \$ (45) | \$ 10 |
| Year ended August 31, 2010 | \$ 10 | \$ 46 | \$ (41) | \$ 15 |
| Year ended August 31, 2011 | \$ 15 | \$ (12) | \$ 2 | \$ 5 |

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment No. 1 to Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: January 9, 2012

PRICESMART, INC.

By:

/s/ JOSE LUIS LAPARTE
Jose Luis Laparte
Director, Chief Executive Officer and
President
(Principal Executive Officer)

PRICESMART, INC.

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OTHER INFORMATION
AUGUST 31, 2011

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PRICESMART, INC.

SELECTED FINANCIAL DATA

The selected consolidated financial data presented below is derived from the Company's consolidated financial statements and accompanying notes. This selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and accompanying notes thereto included elsewhere in this report.

| | Years Ended August 31, | | | | |
|--|---|------------------|------------------|------------------|----------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| | (in thousands, except income (loss) per common share) | | | | |
| OPERATING RESULTS DATA: | | | | | |
| Net warehouse club sales | \$ 1,675,247 | \$ 1,365,801 | \$ 1,224,331 | \$ 1,097,510 | \$ 869,102 |
| Export sales | 8,831 | 4,139 | 3,679 | 1,498 | 1,016 |
| Membership income | 22,817 | 19,742 | 17,903 | 16,042 | 13,857 |
| Other income | 7,352 | 6,209 | 5,715 | 4,826 | 4,826 |
| Total revenues | 1,714,247 | 1,395,891 | 1,251,628 | 1,119,876 | 888,801 |
| Total cost of goods sold | 1,430,704 | 1,160,264 | 1,048,039 | 933,714 | 738,279 |
| Total selling, general and administrative | 191,255 | 159,593 | 145,839 | 134,214 | 115,123 |
| Preopening expenses | 1,408 | 1,123 | 515 | 1,010 | 373 |
| Asset impairment and closure costs (gains) | — | 18 | (249) | 1,142 | 1,550 |
| Provision for settlement of pending litigation | — | — | — | 1,370 | 5,500 |
| Operating income | 90,880 | 74,893 | 57,484 | 48,426 | 27,976 |
| Total other income (expense)(1) | (1,524) | (2,653) | (1,782) | (598) | 523 |
| Income from continuing operations before provision for income taxes, losses of unconsolidated affiliates and net income attributable to noncontrolling interests | 89,356 | 72,240 | 55,702 | 47,828 | 28,499 |
| Provision for income taxes | (27,468) | (22,787) | (13,069) | (9,124) | (12,337) |
| Losses of unconsolidated affiliates(2) | (52) | (22) | (21) | — | (2,903) |
| Net income attributable to noncontrolling interests | — | (132) | (265) | (494) | (476) |
| Net income from continuing operations | 61,836 | 49,299 | 42,347 | 38,210 | 12,783 |

| | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|
| attributable to PriceSmart | | | | | |
| Discontinued operations income (loss), net of tax | (86) | 16 | (28) | (104) | 143 |
| Net income attributable to PriceSmart | \$ 61,750 | \$ 49,315 | \$ 42,319 | \$ 38,106 | \$ 12,926 |
| INCOME PER COMMON SHARE -BASIC:(3) | | | | | |
| Income from continuing operations attributable to PriceSmart | \$ 2.07 | \$ 1.66 | \$ 1.43 | \$ 1.30 | \$ 0.44 |
| Discontinued operations, net of tax | \$ — | \$ — | \$ — | \$ — | \$ 0.01 |
| Basic net income per common share attributable to PriceSmart | \$ 2.07 | \$ 1.66 | \$ 1.43 | \$ 1.30 | \$ 0.45 |
| INCOME PER COMMON SHARE -DILUTED:(3) | | | | | |
| Income from continuing operations attributable to PriceSmart | \$ 2.07 | \$ 1.65 | \$ 1.43 | \$ 1.29 | \$ 0.44 |
| Discontinued operations, net of tax | \$ — | \$ — | \$ — | \$ — | \$ 0.01 |
| Diluted net income per common share attributable to PriceSmart | \$ 2.07 | \$ 1.65 | \$ 1.43 | \$ 1.29 | \$ 0.45 |
| Weighted average common shares - basic | 29,441 | 29,254 | 28,959 | 28,860 | 28,534 |
| Weighted average common shares - diluted | 29,450 | 29,279 | 29,057 | 28,996 | 28,685 |

PRICESMART, INC.

SELECTED FINANCIAL DATA- (Continued)

| | 2011 | 2010 | As of August 31, 2009 (in thousands) | 2008 | 2007 |
|--|-----------|-----------|--|-----------|-----------|
| BALANCE SHEET | | | | | |
| DATA: | | | | | |
| Cash and cash equivalents | \$ 76,817 | \$ 73,346 | \$ 44,193 | \$ 48,121 | \$ 32,065 |
| Short-term restricted cash | 1,240 | 1,240 | 10 | 536 | 8,046 |
| Total assets | 664,328 | 572,565 | 487,373 | 451,412 | 395,419 |
| Long-term debt(4) | 60,451 | 53,005 | 37,120 | 23,028 | 8,008 |
| Total PriceSmart stockholders' equity | 375,838 | 336,043 | 300,398 | 274,506 | 245,316 |
| Dividends paid on common \$ stock(5) | 17,934 | \$ 14,895 | \$ 19,551 | \$ 9,463 | \$ 4,659 |

(1) Net interest and other income (expense) includes interest income and expense and gains and losses on disposal of assets.

(2) Includes impairment charges of \$2.6 million in fiscal year 2007.

(3) Effective September 1, 2009 (fiscal year 2010), the Company adopted Financial Accounting Standards Board guidance that addresses whether instruments granted in share-based payment transactions are participating securities and, therefore, have a potential dilutive effect on earnings per share ("EPS"). This guidance was applied retrospectively to all periods presented. In previously reported periods, diluted net income per share was computed using the treasury stock method to calculate the dilutive common shares outstanding during the period. The prior method resulted in diluted income per share from continuing operations attributable to PriceSmart, Inc. of \$1.45, \$1.30 and \$0.44 for the fiscal years 2009, 2008 and 2007 respectively.

(4) Long-term debt, net of current portion.

(5) On January 19, 2011, January 27, 2010, January 29, 2009, January 24, 2008 and February 7, 2007, the Company declared a cash dividend on its common stock.

PRICESMART, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Annual Report contains forward-looking statements concerning the Company's anticipated future revenues and earnings, adequacy of future cash flow and related matters. These forward-looking statements include, but are not limited to, statements containing the words "expect," "believe," "will," "may," "should," "project," "estimate," "anti-scheduled," and like expressions, and the negative thereof. These statements are subject to risks and uncertainties that could cause actual results to differ materially, including the following risks: the Company's financial performance is dependent on international operations which exposes the Company to various risks; any failure by the Company to manage its widely dispersed operations could adversely affect its business; the Company faces significant competition; the Company faces difficulties in the shipment of, and risks inherent in the acquisition and importation of, merchandise to its warehouse clubs; the Company is exposed to weather and other natural disaster risks; general economic conditions could adversely impact the Company's business in various respects; a few of the Company's stockholders own nearly 31.9% of the Company's voting stock, which may make it difficult to complete some corporate transactions without their support and may impede a change in control; the loss of key personnel could harm the Company's business; the Company is subject to volatility in foreign currency exchange rates; the Company faces the risk of exposure to product liability claims, a product recall and adverse publicity; a determination that the Company's long-lived or intangible assets have been impaired could adversely affect the Company's future results of operations and financial position; although the Company takes steps to continuously review, enhance, and implement improvements to its internal controls, there may be material weaknesses or significant deficiencies that the Company has not yet identified; as well as the other risks detailed in the Company's U.S. Securities and Exchange Commission ("SEC") reports, including the Company's Annual Report on Form 10-K filed for the fiscal year ended August 31, 2010 filed pursuant to the Securities Exchange Act of 1934.

The following discussion and analysis compares the results of operations for each of the three fiscal years ended August 31, 2011, 2010 and 2009 and should be read in conjunction with the consolidated financial statements and the accompanying notes included elsewhere in this report.

PriceSmart's mission is to efficiently operate U.S.-style membership warehouse clubs in Latin America and the Caribbean that sell high quality goods and services to its retail and wholesale members at low prices, while providing good wages and benefits to PriceSmart employees and a fair return to PriceSmart stockholders. The Company sells U.S. brand-name, private label, locally sourced and imported products to its small business and consumer members in a warehouse club format, providing high value to its members. By focusing on providing high value on quality merchandise in a low-cost operating environment, the Company seeks to grow sales volume and membership, which in turn will allow for further efficiencies and price reductions and ultimately improved value to its members.

PriceSmart's business consists primarily of international membership shopping warehouse clubs similar to, but smaller in size than, warehouse clubs in the United States. The number of warehouse clubs in operation as of August 31, 2011 and 2010, the Company's ownership percentages and basis of presentation for financial reporting purposes by each country or territory are as follows:

| Country/Territory | Number of Warehouse Clubs in Operation | Number of Warehouse Clubs in Operation (as of August 31, 2010) | Ownership (as of August 31, 2011) | Basis of Presentation |
|-------------------|--|--|-----------------------------------|-----------------------|
|-------------------|--|--|-----------------------------------|-----------------------|

(as of
August
31, 2011)

| | | | | |
|---------------------|----|----|------|--------------|
| Colombia | 1 | — | 100% | Consolidated |
| Panama | 4 | 4 | 100% | Consolidated |
| Costa Rica | 5 | 5 | 100% | Consolidated |
| Dominican Republic | 3 | 2 | 100% | Consolidated |
| Guatemala | 3 | 3 | 100% | Consolidated |
| El Salvador | 2 | 2 | 100% | Consolidated |
| Honduras | 2 | 2 | 100% | Consolidated |
| Trinidad | 4 | 4 | 100% | Consolidated |
| Aruba | 1 | 1 | 100% | Consolidated |
| Barbados | 1 | 1 | 100% | Consolidated |
| U.S. Virgin Islands | 1 | 1 | 100% | Consolidated |
| Jamaica | 1 | 1 | 100% | Consolidated |
| Nicaragua | 1 | 1 | 100% | Consolidated |
| Totals | 29 | 27 | | |

During fiscal year 2010, the Company completed construction of a new Panama warehouse club ("Brisas"). The Company closed another Panama warehouse club ("Los Pueblos") and relocated its operations to this new site. The Company subsequently sold the land and building that previously housed the Los Pueblos warehouse club. The Company completed construction of and opened, a new warehouse club in Trinidad ("San Fernando") in April 2010, bringing the number of warehouse clubs in Trinidad to four. Also during fiscal year 2010 the Company constructed a new warehouse club in Santo Domingo, Dominican Republic ("Arroyo Hondo") which was acquired in December 2009. The Company opened this new warehouse club on November 5, 2010. It is the Company's second warehouse club in Santo Domingo and the third in the Dominican Republic.

In November 2010, the Company through its Colombian subsidiary acquired land in Barranquilla, Colombia and constructed a new membership warehouse club on this site that opened on August 19, 2011.

At the end of August 2011, the Company had 29 warehouse clubs operating in 12 countries and one U.S. territory, in comparison to 27 warehouse clubs operating in 11 countries and one U.S. territory at the end of August 2010. The average age of the 29 warehouse clubs in operation was 107 months as of the end of August 31, 2011 and the average age of the 27 warehouse clubs included in operation was 102 months as of August 31, 2010.

During the third quarter of fiscal year 2010, the Company purchased the remaining 5% noncontrolling interest of its Trinidad subsidiary.

In addition to the warehouse clubs operated directly by the Company, there was one warehouse club in operation in Saipan, Micronesia licensed to and operated by local business people, from which the Company earned a small royalty fee. This agreement was terminated on August 9, 2011 in connection with the Company's termination of its lease of its former warehouse club located in Guam. As a result, the Company will no longer receive royalty fees and now has no third party licensing agreements.

In general, the Company's earnings improve, and cash flows from operations increase, as sales increase. Although the Company's cost of goods sold is largely variable with sales, a portion of the Company's selling, general and administrative expenses rise relatively slowly in relation to sales increases. Therefore, the Company prioritizes initiatives that it expects will have the greatest impact on increasing sales. Looking forward to the next several quarters, the following items are likely to have an impact on business and the results of operations:

General Economic Factors

As the U.S. economy provides mixed signals about whether a modest recovery is taking hold or whether another slow-down may occur (the so-called "double dip"), the Company continues to watch for signs as to what effect this may have in its markets. The recession experienced in the U.S. in calendar year 2009 appeared to have had less effect on the Company's markets, particularly Central America, than past U.S. recessions. While there has been no specific indication of a change in the moderate economic growth of the past two years within most of the Company's markets, the Company will continue to monitor the situation as a slow-down in the U.S. economy could have a negative impact on future sales growth. Further, world economic events, such as the concerns over European debt, can have an impact on financial markets, which in turn can affect exchange rates of currencies compared to the U.S. dollar in the Company's markets and also the interest rates paid by the Company on some of its long-term debt.

The Company continues to be concerned about the increasing price of oil and certain commodities that could have a negative effect on the Company's operating costs and sales. Higher oil prices can negatively impact the economic growth of the countries in which the Company operates, thereby reducing the buying power of our members. Higher oil prices can also increase the Company's operating costs, particularly utilities and distribution expenses. Inflationary pressures on various commodities may also impact consumer spending. The Company takes steps to buy competitively from its suppliers, but will pass through higher costs for items through increased pricing when necessary although, depending on the magnitude of the change, at a reduced gross margin percentage of sales. Due to many factors, including the broad array of merchandise offered in our warehouse clubs, the changing mix of items between imported versus locally sourced, and the Company's ongoing efforts to reduce prices through operational efficiencies, the Company believes that the current impact of inflation, if any, on the Company's reported sales growth is small, but has determined that this is not quantifiable with any certainty.

In the countries in which the Company operates, the Company does not currently face direct competition from U.S. membership warehouse club operators. However, it does face competition from various retail formats such as hypermarkets, supermarkets, cash and carry, and specialty stores, including those within Latin America that are owned and operated by a large U.S. based retailer. The Company has competed effectively in these markets in the past and expects to continue to do so in the future due to the unique nature of the membership warehouse club format. The Company has noted that certain retailers are making investments in upgrading their locations which may result in

increased competition. Further, it is possible that current U.S. warehouse club operators may decide to enter the Company's markets and compete more directly with PriceSmart in a similar warehouse club format.

Many PriceSmart markets are susceptible to foreign currency exchange rate volatility. Currency exchange rate changes either increase or decrease the cost of imported products which the Company purchases in U.S. dollars and prices in local currency. Price changes can impact the demand for those products in the market. Currency exchange rates also affect the reported sales of the consolidated company when local currency-denominated sales are translated to U.S. dollars. In addition, the Company revalues all U.S. dollar denominated assets and liabilities within those markets that do not use the U.S. dollar as its functional currency. These assets and liabilities include, but are not limited to, excess cash permanently reinvested offshore and the value of items shipped from the U.S. to the Company's foreign markets. The gain or loss associated with this revaluation, net of reserves, is recorded in net warehouse sales cost of goods sold. Approximately 49% of the Company's net warehouse sales are comprised of products imported into the markets where PriceSmart warehouse clubs are located. Products imported for sale in PriceSmart markets are purchased in U.S. dollars, but approximately 79% of the Company's net warehouse sales are in foreign currencies. During fiscal year 2011, local currencies in PriceSmart markets have generally declined relative to the dollar, but the Barbados dollar, Colombian peso and Guatemalan quetzale have all appreciated relative to the U.S. dollar on a year-over-year basis recently which has had a positive impact on sales. The Company seeks to manage its foreign exchange risk by (1) adjusting prices on U.S. dollar goods on a periodic basis to maintain its target margins after taking into account changes in exchange rates; (2) by obtaining local currency loans from banks within certain markets where it is economical to do so and where management believes the risk of devaluation and the level of U.S. dollar denominated liabilities warrants this action; and (3) reducing the time between the acquisition of product in U.S. dollars and the settlement of that purchase in local currency. The Company has local currency-denominated long-term loans in Honduras and Guatemala; and has a cross-currency interest rate swap in Colombia. At the start of fiscal year 2012, recent concerns about European debt has caused instability in the financial markets and a devaluation of many of the currencies in which the Company operates relative to the U.S. dollar, most notably the Colombian peso. Future volatility and uncertainties regarding the currencies in the Company's countries could have a material impact on the Company's operations in future periods. However, there is no way to accurately forecast how currencies may trade in the future and, as a result the Company cannot accurately project the impact of the change in rates on the Company's future demand for imported products, reported sales, or financial results.

Current and Future Management Actions

In general, the Company's earnings improve and cash flows from operations increase as sales increase. As sales volumes increase and the Company increases its purchases of products, the Company can obtain better pricing from its suppliers. Higher volumes also provide increased operating efficiencies in the distribution operation as fixed costs are spread over this increased volume, with a resulting reduction in per unit distribution costs. Further, with increased sales, the Company can leverage its selling, general and administrative expenses which rise relatively slowly in relation to sales increases. All of this, in turn, allows the Company to reduce prices to drive further increases in sales, greater gross profit margin dollars and increased operating income, even as gross profit margin percentage remains flat or decreases. Reduced pricing also enhances the value of the PriceSmart membership which generates more membership income as new memberships are sold and current members are retained. Therefore, the Company prioritizes initiatives that it expects will have the greatest impact on increasing sales. Sales growth in our existing locations (comparable warehouse club sales) creates the highest degree of cost leverage due to the operating efficiencies within our warehouse club format. However, the Company also seeks to add additional warehouse clubs where we believe it is accretive to our business and is financially feasible. In this regard, actions that the Company has taken, or is taking, actions to positively impact warehouse club sales growth and the results of operations include the following:

In several existing warehouse clubs, the Company has already undertaken expansions and related improvements, and the Company is planning several additional expansions, reconfigurations and/or fixture upgrades, all of which are designed to provide additional merchandise selling space and capacity. For example, during fiscal year 2011, the Company completed the expansion of the bakeries in the Nicaragua and Tegucigalpa, Honduras warehouse clubs. Also in August of fiscal year 2011, the Company leased space for additional member parking for the warehouse club located in Tegucigalpa, Honduras. Future plans include the expansion of the Barbados warehouse club sales floor space and the remodel of the fresh food area; the expansion of the overstock freezers in the USVI and Zapote and Escazu, Costa Rica warehouse clubs; and upgrading and remodeling the fresh foods area in multiple warehouse clubs. The Company expects to invest approximately \$4.4 million in expansions, reconfigurations and/or upgrades during fiscal year 2012 and believes that these improvements will provide for more selling space and increased capacity for stocking and displaying merchandise in the Company's warehouse clubs, thereby contributing to an increase in sales.

The Company has also taken steps to increase the capacity and efficiency of its distribution of merchandise from the U.S. to its markets. The Company renegotiated its existing lease for its primary distribution center in Miami, adding approximately 74,000 square feet of warehouse space. The Company invested approximately \$3.5 million to upgrade this space, which was completed in June 2011. The Company has now consolidated its dry, frozen and refrigerated merchandise distribution facilities. This has increased the capacity of its distribution operation and has also allowed the Company to more efficiently service the PriceSmart warehouse club locations, thereby generating savings in distribution expenses by improving the flow of merchandise through the facility and reducing handling costs. The Company continues to evaluate its distribution processes to enhance the efficiency and cost effectiveness of shipping merchandise from suppliers to the warehouse clubs.

With respect to growing sales by increasing the number of warehouse clubs, the Company has an on-going process to evaluate sites for additional PriceSmart warehouse club locations. Although a specific target for new warehouse club openings in fiscal year 2012 and beyond has not been set, management believes that there may be opportunities to add locations in certain PriceSmart markets. The Company opened a new warehouse club in Santo Domingo, Dominican Republic ("Arroyo Hondo") on November 5, 2010, and a new membership warehouse club in Barranquilla, Colombia on August 19, 2011. During May 2011, the Company entered into an agreement to acquire land in north Cali, Colombia, which is currently subject to the fulfillment of certain conditions prior to March, 2012. In the event the conditions are timely fulfilled, the Company plans to acquire the site to construct and operate upon it a new warehouse

club. During July 2011, the Company also entered into an agreement to acquire land in south Cali, Colombia, which is currently subject to the fulfillment of certain conditions prior to January, 2012. In the event the conditions are timely fulfilled, the Company plans to also acquire this site to construct and operate upon it an additional new warehouse club. While it is currently unknown whether the north Cali conditions will be met in a timely manner, the Company currently anticipates that the south Cali site will be acquired by the Company in December 2011 and that a new warehouse club will open on that site in late calendar 2012. The Company continues to explore other potential sites for future warehouse clubs in other major cities in Colombia. The initial warehouse sales and membership results experienced with the opening of the Barranquilla warehouse club has reinforced the Company's belief that Colombia could be a market for multiple PriceSmart warehouse clubs.

The Company seeks to enhance its long-term business performance by buying rather than leasing real estate which occasionally includes developing adjacent land either directly or through joint ventures. Real estate ownership provides a number of advantages as compared to leasing, including lower operating expenses, flexibility to expand or otherwise enhance PriceSmart buildings, long-term control over the use of the property and the residual value that the real estate may have in future years. In the course of acquiring sites, the Company sometimes has to purchase more land than is actually needed for the warehouse club operation. As an example, when the Company acquired the Alajuela site in Costa Rica, it purchased land for the PriceSmart warehouse club and entered into a joint venture with the seller on the balance of the property. PriceSmart entered into a similar real estate transaction with respect to its recently opened Brisas site in Panama City. To the extent that the Company acquires property in excess of what is needed for a particular warehouse club, the Company generally plans to either sell or develop the excess property. The excess land at Alajuela and Brisas is being held for development by the joint ventures, which commenced in fiscal year 2011. A similar development strategy is being employed for the Company's excess land at the new San Fernando, Trinidad and Arroyo Hondo, Dominican Republic locations where the properties are fully owned by PriceSmart. In this respect, the Company recently began developing and has executed lease agreements on part of the excess land in San Fernando, Trinidad. The profitable sale or development of real estate is highly dependent on real estate market conditions. The Company believes that it will find suitable tenants or acquirers in the future for its other property development projects.

Key items for fiscal year 2011 fourth quarter include:

- Net warehouse club sales increased 22.1% over the same quarter in the prior year, resulting from a 19.3% increase in comparable warehouse club sales (for the 13 weeks ending September 4, 2011) and the addition of two new warehouse clubs: Santo Domingo, Dominican Republic (November 5, 2010) and Barranquilla, Colombia (August 19, 2011).
- The Company opened its 29th warehouse club and first in Colombia on August 19, 2011. Warehouse sales for the 13 days in the quarter and fiscal year contributed 77 basis points of growth in the quarter.
- Gross profits (net warehouse club sales less associated cost of goods sold) were \$64.6 million (14.8% of sales) compared to \$55.5 million (15.6% of sales). The increase in gross profits and decrease in gross margin percentage are consistent with the Company's strategy of lowering prices to enhance value to members and increase sales.
- Selling, general and administrative expenses, including preopening expenses, grew 26.6% to \$53.8 million (12.3% of net warehouse sales) from \$42.5 million (11.9% of net warehouse sales) from the same period last year. The cost associated with Colombia, including the infrastructure established within the country, the pre-opening expenses for the warehouse club, and the initial costs to operate the warehouse club, added \$2.1 million in operating expenses (0.5% of net warehouse sales) in the quarter. Additionally, the Company recorded a charge in the current quarter to increase depreciation expense by \$2.5 million in connection with the correction of an error from prior periods associated with the translation of depreciation expense from foreign currencies into U.S. dollars. (See Notes to Consolidated Financial Statements - Note 1 - Company Overview and Basis of Presentation).
- Provision for income taxes was \$5.4 million for a tax rate of 29.9% of pre-tax income. The rate in the current quarter was positively impacted by a decrease of \$3.1 million in the quarter resulting from a correction of an error identified in the Company's reconciliation of net deferred tax assets associated with operating and capital loss carry-forwards to its tax returns (see Notes to Consolidated Financial Statements - Note 1 - Company Overview and Basis of Presentation). Without this one-time benefit, the tax rate would have been 47.2% of pre-tax income compared to 30.7% of pre-tax income in the fourth quarter of fiscal year 2010 and a tax rate for the previous nine month period of 31.0%. The higher rate in the current period (net of the \$3.1 million correction) resulted from (i) a \$516,000 undistributed profits tax in Panama for accumulated retained earnings that the Company is not planning to repatriate to the U.S.; (ii) a \$217,000 non-cash write-off a deferred tax asset associated with the sale of the Company's Los Pueblos, Panama, warehouse club site, the gain of which was recognized in the third quarter of fiscal year 2011; (iii) uncertain tax positions of approximately \$400,000; and (iv) a taxable loss incurred in the Company's new Colombia entity associated with start-up costs and investment for which it did not recognize a tax benefit. A full valuation allowance was recorded against the future tax benefit of those losses at this time.
- Net income for the quarter was \$12.6 million, or \$0.42 per diluted share, compared to \$13.2 million, or \$0.44 per diluted share, in the fourth quarter of fiscal year 2010.

Key items for fiscal year 2011 included:

- Net warehouse club sales increased 22.7% over the prior year, resulting from a 18.1% increase in comparable warehouse club sales (through the 52 weeks ending September 4, 2011) and the partial year effect of three new warehouse clubs: San Fernando, Trinidad (April 30, 2010), Santo Domingo, Dominican Republic (November 5, 2010) and Barranquilla, Colombia (August 19, 2011).
- Membership income for fiscal year 2011 increased 15.6% to \$22.8 million as the number of membership accounts grew to 832,500 and the 12-month renewal rate improved to 88% in fiscal year 2011 from 86% in fiscal year 2010.

- Gross profits (net warehouse club sales less associated cost of goods sold) increased 20.8% over the prior year.
 - Selling, general and administrative expenses improved 27 basis points of net warehouse sales compared to the same twelve-month period last year despite the partial-year incremental costs of three additional warehouse clubs in operation and expenses associated with the Colombia country headquarters. Additionally, the Company recorded a charge in the current year to increase depreciation expense by \$2.3 million in connection with the correction of an error from prior periods associated with the translation of depreciation expense from foreign currencies into U.S. dollars from prior periods. (See Notes to Consolidated Financial Statements - Note 1 - Company Overview and Basis of Presentation).
- Operating income for fiscal year 2011 was \$90.9 million, an increase of 21.3% over fiscal year 2010.
- Provision for income taxes was \$27.5 million for a tax rate of 30.7% of pre-tax income. In the same period last year, the income tax provision was \$22.8 million, or 31.5% of pre-tax income. The lower rate in the fiscal year is largely due to a decrease of \$3.1 million for the income tax provision resulting from the correction of an error identified in the Company's reconciliation of net deferred tax assets related to Net Operating and Capital Loss Carry-forwards to its tax returns (see Notes to Consolidated Financial Statements - Note 1 - Company Overview and Basis of Presentation) offset by increases in the income tax provision for (i) an increase in U.S. statutory tax rate from 34% to 35%; (ii) a \$516,000 undistributed profits tax in Panama for accumulated retained earnings that the Company is not planning to repatriate to the U.S.; (iii) in fiscal year 2011, the Company accrued \$581,000 income tax liability for uncertain tax positions; and (iv) due to a charge to taxes due to a taxable loss incurred in the Company's new Colombia entity for which it did not recognize a tax benefit. A full valuation allowance was recorded against the future tax benefit of losses generated by the Colombia operations which started in fiscal year 2010.
- Net income attributable to PriceSmart for fiscal year 2011 was \$61.8 million, or \$2.07 per diluted share, compared to \$49.3 million, or \$1.65 per diluted share, in fiscal year 2010.

Comparison of Fiscal Year 2011 to 2010 and Fiscal Year 2010 to 2009

Certain percentages presented are calculated using actual results prior to rounding. The Company's fiscal year ends on August 31. Unless otherwise noted, references to net income relate to net income attributable to PriceSmart. Unless otherwise noted, all tables present dollar amounts in thousands.

Net Warehouse Club Sales

| | 2011 | | Fiscal Years Ended August 31, 2010 | | 2009 |
|--------------------------|--------------|----------|---------------------------------------|----------|--------------|
| | Amount | % Change | Amount | % Change | Amount |
| Net warehouse club sales | \$ 1,675,247 | 22.7% | \$ 1,365,801 | 11.6% | \$ 1,224,331 |

Comparison of 2011 to 2010

Net warehouse club sales grew 22.7% in fiscal year 2011 compared to fiscal year 2010. The sales growth in the year was predominantly driven by transaction growth of 18.9%. The average value of each transaction grew 3.1%. Sales growth was evident across all major merchandise categories. Changes in currency exchange rates had a net positive effect on sales. Local currencies in three of the Company's markets (Jamaica, Costa Rica and Guatemala) appreciated against the U.S. dollar compared to the same period last year, which made the imported merchandise relatively more affordable to our members. The sales of local merchandise, when translated to U.S. dollars in those markets, also had a favorable impact. The positive effects of currency appreciation in those markets more than offset the opposite effect in other markets where the local currency declined against the U.S. dollar.

The difference between total net warehouse club sales of 22.7% and the comparable warehouse club sales noted below of 18.1% was predominantly due to the effect of the San Fernando, Trinidad warehouse club which was open for a full year in fiscal year 2011, but only four months in fiscal year 2010; and the second Santo Domingo, Dominican Republic warehouse club which was open for 10 months in fiscal year 2011 but had no sales in fiscal year 2010. The Barranquilla, Colombia warehouse club was only open for the last 13 days of fiscal year 2011 and had little effect on the consolidated year-over-year growth in net warehouse sales.

Comparison of 2010 to 2009

For fiscal year 2010, the Company's warehouse club in Alajuela, Costa Rica was in operation for the full 12 months of the year, compared to approximately four months in fiscal year 2009. In addition, the Company's warehouse club in San Fernando, Trinidad opened on April 30, 2010 and contributed four full months of sales in fiscal year 2010. Sales from these additional clubs contributed approximately 390 basis points to the overall sales growth of fiscal year 2010 from fiscal year 2009. The Company experienced strong sales in a number of merchandise categories during the months of April, May and June of fiscal year 2010 as a result of the World Cup soccer tournament. In addition, the strength of the Costa Rican currency relative to the U.S. dollar has made the imported merchandise relatively more affordable and contributed to increased demand in the Company's largest single market. The Costa Rican colon appreciated approximately 13.6% against the U.S. dollar from the end of fiscal year 2009 to the end of fiscal year 2010. Sales of non-consumable merchandise continued to show improvement through the fiscal year and ended the year with growth of 11.7% compared to fiscal year 2009. The Company had experienced negative sales growth in the

last two quarters of fiscal year 2009 and the first quarter of fiscal year 2010 compared to the same quarter in the prior year in this merchandise category but saw growth of 8.5%, 16.4% and 27.0% in the second, third, and fourth quarters of fiscal year 2010, respectively, compared to the same quarters in the prior year. Sales transactions in the year grew 10.2% compared to the prior year and the average dollar value of those transactions increased by 1.3%.

Comparable Sales

The Company reports comparable warehouse club sales on a “same week” basis with 13 weeks in each quarter beginning on a Monday and ending on a Sunday. The periods are established at the beginning of the fiscal year to provide as close a match as possible to the calendar month that is used for financial reporting purposes. This approach equalizes the number of weekend days and week days in each period for improved sales comparison, as the Company experiences higher warehouse club sales on the weekends. Further, each of the warehouse clubs used in the calculations was open for at least 13 1/2 calendar months before its results for the current period were compared with its results for the prior period. For example, the sales related to the new warehouse club opened in the Dominican Republic on November 5, 2010 will not be used in the calculation of comparable warehouse club sales until January 2012. Similarly, the sales related to the new warehouse club opened in Trinidad on April 30, 2010 was not used in the calculation of comparable warehouse club sales until July 2011 and sales related the new warehouse club opened in Colombia on August 19, 2011 will not be used in the calculation of comparable warehouse club sales until November 2012.

Comparison of 2011 to 2010

Comparable warehouse club sales for the 52-week period ended September 4, 2011 increased 18.1% compared to the same 52-week period last year.

Comparison of 2010 to 2009

For fiscal year 2010, comparable warehouse club sales, increased 8.2% for the 53-week period ended September 5, 2010, compared to the same 53-week period for fiscal year 2009.

Net Warehouse Club Sales by Segments

The following tables indicate the net warehouse club sales and the percentage growth in net warehouse club sales during fiscal years 2011, 2010 and 2009 in the segments in which the Company operates.

As of August 31, 2010, the Company changed the “Central America” operating segment to the “Latin America” operating segment to reflect the inclusion of Colombia within the general geographic area of the Company’s operations. The first warehouse club in Colombia opened on August 19, 2011.

| | 2011 | | Fiscal Years Ended August 31, 2010 | | 2009 | |
|--------------------------|--------------|------------------|---------------------------------------|------------------|--------------|------------------|
| | Amount | % of net revenue | Amount | % of net revenue | Amount | % of net revenue |
| Latin America | \$ 1,060,620 | 63.3 % | \$ 838,864 | 61.4 % | \$ 724,964 | 59.2 % |
| Caribbean | 614,627 | 36.7 % | 526,937 | 38.6 % | 499,367 | 40.8 % |
| Net warehouse club sales | \$ 1,675,247 | 100.0 % | \$ 1,365,801 | 100.0 % | \$ 1,224,331 | 100.0 % |

| | 2011 | | Fiscal Years Ended August 31, 2010 | |
|--------------------------|-------------------------|----------|---------------------------------------|----------|
| | Year-over-year increase | % change | Year-over-year increase | % change |
| Latin America | \$ 221,756 | 26.4 % | \$ 113,900 | 15.7% |
| Caribbean | 87,690 | 16.6 % | 27,570 | 5.5% |
| Net warehouse club sales | \$ 309,446 | 22.7 % | \$ 141,470 | 11.6% |

Comparison of 2011 to 2010

As with last year, the higher net warehouse club sales growth in Latin America compared to the Caribbean reflects improved economic conditions in those more diversified markets. The local currencies in Costa Rica and Guatemala continue to be strong compared to the US dollar, making the imported merchandise relatively more affordable to our members, contributing to higher sales in the current fiscal year.

Comparison of 2010 to 2009

The higher net warehouse club sales in Latin America compared to the Caribbean reflects improved economic conditions in those more diversified markets, particularly Costa Rica. Also the opening of the Alajuela, Costa Rica warehouse club contributed an additional eight months of sales (420 basis points) to the Latin America segment in fiscal year 2010, compared to fiscal year 2009; whereas, the opening of the San Fernando, Trinidad warehouse club contributed only an additional four months of sales (350 basis points) in fiscal year 2010 compared to fiscal year 2009.

Net Warehouse Club Sales by Category

The following table indicates the approximate percentage of net sales accounted for by each major category of items sold by the Company during the fiscal years ended August 31, 2011, 2010 and 2009.(1)

| | Fiscal Years Ended | | |
|---|--------------------|--------------------|------|
| | 2011 | August 31, 2010 | 2009 |
| Sundries (including health and beauty aids, tobacco, alcoholic beverages, soft drinks, cleaning and paper products and pet supplies) | 26% | 27% | 27% |
| Food (including candy, snack foods, dry and fresh foods) | 52% | 51% | 51% |
| Hardlines (including major appliances, small appliances, electronics, hardware, office supplies, garden and patio, sporting goods, business machines and automotive supplies) | 14% | 14% | 14% |
| Softlines (including apparel, domestics, cameras, jewelry, housewares, media, toys and home furnishings) | 6% | 6% | 6% |
| Other (including one-hour photo and food court) | 2% | 2% | 2% |
| | 100% | 100% | 100% |

(1) During fiscal year 2010, the Company reviewed and updated its product classification into major categories. This review and update of the classification of products into categories was performed to better align the products and reporting on those products with the Company's management oversight of these major categories. The Company has retrospectively reclassified the approximate percentage of net sales accounted for by each major category for each of the periods presented based on the updated product assignment into these major categories.

Comparison of 2011 to 2010

The Company did not experience any significant shift in its merchandise mix when measured over the entire fiscal year.

Comparison of 2010 to 2009

The Company did not experience any significant shift in its merchandise mix when measured over the entire fiscal year. However, during the first quarter of fiscal year 2010, the Company saw a continuation of the shift toward more consumable items which started in fiscal year 2009.

Export Sales

| | Fiscal Years Ended August 31, | | | | | | |
|--------------|-------------------------------|--------------------------|----------|----------|--------------------------|----------|----------|
| | 2011 | | | 2010 | | | 2009 |
| | Amount | Increase from prior year | % Change | Amount | Increase from prior year | % Change | Amount |
| Export sales | \$ 8,831 | 4,692 | 113.4% | \$ 4,139 | \$ 460 | 12.5% | \$ 3,679 |

The increases in export sales in both years were due to increased direct sales to a single institutional customer (retailer) in the Philippines.

Membership Income

| | Fiscal Years Ended August 31, | | | | | | |
|---|-------------------------------|--------------------------|----------|-----------|--------------------------|----------|-----------|
| | 2011 | | | 2010 | | | 2009 |
| | Amount | Increase from prior year | % Change | Amount | Increase from prior year | % Change | Amount |
| Membership income | \$ 22,817 | \$ 3,075 | 15.6% | \$ 19,742 | \$ 1,839 | 10.3% | \$ 17,903 |
| Membership income % to net warehouse club sales | 1.4% | | | 1.4% | | | 1.5% |
| Approximate number of total accounts | 832,500 | 115,500 | 16.1% | 717,000 | 66,000 | 10.1% | 651,000 |

Comparison of 2011 to 2010

The number of membership accounts increased 115,500 (16.1%) during fiscal year 2011. Membership income, which is recognized ratably over the one-year life of the membership, grew 15.6% for the twelve months ended August 31, 2011 compared to same period in the prior year. The average membership fee per membership account sold during fiscal year 2011 was \$29.41, compared to \$28.79 in fiscal year 2010. The membership renewal rate for the 12-month periods ended August 31, 2011 and 2010 was 88% and 86%, respectively.

Comparison of 2010 to 2009

For fiscal year 2010, there were 10% increases over fiscal year 2009 in membership income and in the number of membership accounts. There was a 0.5% decrease in the average membership fee.

Other Income

Other income consists of commission revenue, rental income, advertising revenue, construction revenue, fees for in-store product demonstrations, end-cap income, and fees earned from licensees.

| | Fiscal Years Ended August 31, | | | | | | |
|--------------|-------------------------------|-----------------------------------|-------------|----------|--------------------------------|-------------|----------|
| | 2011 | | | 2010 | | | 2009 |
| | Amount | Increase from prior year | % Change | Amount | Increase from prior year | % Change | Amount |
| Other Income | \$ 7,352 | \$ 1,143 | 18.4% | \$ 6,209 | \$ 494 | 8.6% | \$ 5,715 |

Comparison of 2011 to 2010

For fiscal year 2011 compared to the Company's fiscal year 2010, in-store product demonstration revenue increased \$926,000 and rental income increased \$214,000, primarily due to the leasing of the former warehouse club in Los Pueblos, Panama, which was sold in March 2011. In both fiscal year 2010 and 2011, the Company received approximately \$60,000 in royalty income from a licensee in Saipan. That licensing agreement was terminated at the end of fiscal year 2011, and no more licensing fees will be recognized in the future.

Comparison of 2010 to 2009

For fiscal year 2010, the increase over fiscal year 2009 was due primarily to increased revenue received for in-store product demonstrations.

Gross Margin

Warehouse Sales Gross Profit and Gross Margin

| | Fiscal Years Ended August 31, | | | | | | | |
|------------------------------------|-------------------------------|--------------------------|------------|--------------|--------------------------|------------|--------------|------------|
| | 2011 | | | 2010 | | | 2009 | |
| | Amount | Increase from prior year | % to sales | Amount | Increase from prior year | % to sales | Amount | % to sales |
| Warehouse club sales | \$ 1,675,247 | \$ 309,446 | 100.0% | \$ 1,365,801 | \$ 141,470 | 100.0% | \$ 1,224,331 | 100.0 % |
| Less associated cost of goods sold | 1,422,332 | 265,958 | 84.9 | 1,156,374 | 111,819 | 84.7 | 1,044,555 | 85.3 |
| Warehouse gross profit margin | \$ 252,915 | \$ 43,488 | 15.1 % | \$ 209,427 | \$ 29,651 | 15.3 % | \$ 179,776 | 14.7 % |

Comparison of 2011 to 2010

For the fiscal year 2011, warehouse gross profit increased due to higher sales, but gross margin as a percentage of sales was lower than fiscal year 2010 by 24 basis points largely related to on-going price reductions on merchandise in line with the Company's business model. Foreign exchange gains or losses had little year-over-year effect on cost of goods sold as a percent of sales in the fiscal year 2011.

Comparison of 2010 to 2009

For fiscal year 2010, the increase in warehouse gross profit was due to higher sales and a 65 basis point improvement in gross profit margin as a percentage of sales, resulting from reduced markdowns on merchandise, strong end-cap activity, and improvements in inventory shrink results. Foreign exchange effects also contributed positively. In fiscal year 2010, the Company recorded \$1.5 million (0.11% of sales) in foreign exchange related gains compared to \$1.4 million (0.12% of sales) in foreign exchange related costs in fiscal year 2009. The countries that accounted for the majority of the year-over-year change in foreign exchange effect were Guatemala, Costa Rica and Jamaica. The improving sales of non-consumable discretionary products did not itself have a material impact on the Company's net warehouse margin as a percentage of sales during fiscal year 2010.

Export Sales Gross Profit Margin

| | Fiscal Years Ended August 31, | | | | | | | |
|---|-------------------------------|-----------------------------------|---------------|----------|--------------------------------|---------------|----------|---------------|
| | 2011 | | | 2010 | | | 2009 | |
| | Amount | Increase from prior year | % to sales | Amount | Increase from prior year | % to sales | Amount | % to sales |
| Export sales | \$ 8,831 | \$ 4,692 | 100.0% | \$ 4,139 | \$ 460 | 100.0% | \$ 3,679 | 100.0% |
| Less associated cost of goods sold | 8,372 | 4,482 | 94.8 | 3,890 | 406 | 94.0 | 3,484 | 94.7 |
| Export sales gross profit margin | \$ 459 | \$ 210 | 5.2% | \$ 249 | \$ 54 | 6.0% | \$ 195 | 5.3% |

The increase in export sales gross margin dollars in each fiscal year was due to direct sales to an institutional customer (retailer) in the Philippines for which the Company generally earns lower margins than those obtained through its warehouse club sales.

Selling, General and Administrative Expenses

Warehouse Club Operations

| | Fiscal Years Ended August 31, | | | | | | | | | |
|-----------------------------------|-------------------------------|---------------------------|--------------------------|----------|------------|---------------------------|--------------------------|----------|------------|---------------------------|
| | 2011 | | | | 2010 | | | | 2009 | |
| | Amount | % to warehouse club sales | Increase from prior year | % Change | Amount | % to warehouse club sales | Increase from prior year | % Change | Amount | % to warehouse club sales |
| Warehouse club operations expense | \$154,819 | 9.2% | \$ 28,545 | 22.6% | \$ 126,274 | 9.2% | \$ 11,317 | 9.8% | \$ 114,957 | 9.2% |

Comparison of 2011 to 2010

The partial year effect of two additional warehouse clubs (San Fernando, Trinidad and Arroyo Hondo, Dominican Republic) and the expenses associated with establishing a country headquarters in Colombia and the first few weeks of club operations at the Barranquilla, Colombia warehouse club accounted for \$7.1 million of additional warehouse club operations expense in fiscal year 2011 compared to fiscal year 2010. The remaining \$21.4 million increase relates to warehouse club operation expense on a same club basis, of which \$8.0 million was related to increased payroll related expenses, including stock-based compensation. Credit card expense increased \$2.0 million in line with sales growth and utilities, repair and maintenance, depreciation and other expenses added \$1.5 million, \$1.8 million, \$4.1 million and \$4.0 million, respectively. Of the \$4.1 million increase in depreciation, \$2.3 million is related to the recordation of a charge in fiscal year 2011 to correct errors in the calculation of depreciation in prior periods, related to the translation of foreign currencies into U.S. dollars (see Notes in Consolidated Financial Statements - Note 1 - Company Overview and Basis of Presentation). This correction will increase depreciation by approximately \$300,000 per year going forward.

Comparison of 2010 to 2009

The costs associated with operating two additional warehouse clubs in fiscal year 2010 were \$3.9 million. Of the \$7.5 million increase in warehouse club operation expenses attributable to the 25 warehouse clubs operating in both fiscal years, \$4.4 million was related to increased payroll-related expenses, including stock-based compensation expense. Utilities costs increased \$1.6 million due to an increase in utility rates after the Company experienced savings in fiscal year 2009. Depreciation expense increased \$577,000 from fiscal year 2009 related to ongoing capital investments made in the existing warehouse clubs, including expansions in Aruba and Nicaragua, and the completion of the new warehouse club in Panama City, Panama. Increased costs for repairs and maintenance and security services added \$397,000 and \$246,000, respectively. Credit card costs increased by a total of \$720,000 resulting from higher sales. As a percentage of sales, credit card costs decreased from 0.82% of sales in fiscal 2009 to 0.79% of sales in fiscal 2010, reflecting ongoing savings resulting from the co-branded credit cards offered to the Company's members.

General and Administrative Expenses

Fiscal Years Ended August 31,

| 2011 | 2010 | 2009 |
|------|------|------|
|------|------|------|

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| | Amount | % to warehouse club sales | Increase from prior year | % Change | Amount | % to warehouse club sales | Increase from prior year | % Change | Amount | % to warehouse club sales |
|-------------------------------------|-----------|---------------------------|--------------------------|----------|-----------|---------------------------|--------------------------|----------|-----------|---------------------------|
| General and administrative expenses | \$ 36,436 | 2.2% | \$ 3,117 | 9.4% | \$ 33,319 | 2.4% | \$ 2,437 | 7.9% | \$ 30,882 | 2.2% |

Comparison of 2011 to 2010

General and administrative expenses, increased \$3.1 million from fiscal year 2010 to fiscal year 2011, with the additional expense primarily related to increased salaries, related benefits, deferred compensation expense associated with restricted stock grants, and travel expenses associated with the Company's corporate and U.S. buying operations. The decrease in general and administrative expenses as a percentage of warehouse club sales was due to sales increasing at a greater rate than general and administrative expenses.

Comparison of 2010 to 2009

Increased salaries and benefits for the Company's corporate and U.S. buying operations, including expenses associated with stock compensation of \$2.5 million, and additional travel expenses of approximately \$800,000 accounted for the majority of the increase in general and administrative expenses in fiscal year 2010. This was offset by a decrease in professional fees associated with outside legal and tax consulting of \$1.0 million.

Pre-Opening Expenses

Expenses incurred before a warehouse club is in operation are captured in pre-opening expenses.

| | Fiscal Years Ended August 31, | | | | | | |
|----------------------|-------------------------------|--------------------------------|-------------|----------|--------------------------------|-------------|--------|
| | 2011 | | 2010 | | 2009 | | |
| | Amount | Increase from prior year | % Change | Amount | Increase from prior year | % Change | Amount |
| Pre-opening expenses | \$ 1,408 | \$ 285 | 25.4% | \$ 1,123 | \$ 608 | 118.1% | \$ 515 |

Comparison of 2011 to 2010

The Company incurred pre-opening expenses for the Barranquilla, Colombia warehouse club in the third and fourth quarter of fiscal year 2011 totaling \$1.0 million. For fiscal year 2011, the Company also incurred \$407,000 in pre-opening expenses related to the new Arroyo Hondo warehouse club, which opened in the Dominican Republic on November 5, 2010. The Company incurred more pre-opening expense for Barranquilla as it was the first warehouse club in a new market requiring an enhanced level of marketing compared to openings in existing markets. Pre-opening expenses in fiscal year 2010 were related to the San Fernando, Trinidad club and the Brisas warehouse club which was relocated in Panama during that year.

Comparison of 2010 to 2009

For fiscal year 2010, pre-opening expenses were related to the new warehouse club in Trinidad which opened in April 2010, the relocated warehouse club in Panama and the new warehouse club under construction in the Dominican Republic.

Operating Income

| | Fiscal Years Ended August 31, | | | | | | | | | |
|------------------|-------------------------------|---------------------------------|---|-------------|-----------|---------------------------------|--|-------------|-----------|---------------------------------|
| | 2011 | | 2010 | | 2009 | | | | | |
| | Amount | % to warehouse club sales | Increase/ (decrease) from prior year | % Change | Amount | % to warehouse club sales | Increase/ (decrease) from prior year | % Change | Amount | % to warehouse club sales |
| Operating income | \$ 90,880 | 5.4 % | 15,987 | 21.3% | \$ 74,893 | 5.5% | \$ 17,409 | 30.3% | \$ 57,484 | 4.7% |

Comparison of 2011 to 2010 and 2010 to 2009

Operating income improved from fiscal year 2009 to fiscal year 2010 and from fiscal year 2010 to fiscal year 2011, as a result of higher sales, improved margins and the leveraging of selling, general and administrative costs over increased sales, offset by construction costs and pre-opening expenses for the new Colombia market.

Interest Income

Interest income reflects earnings on cash and cash equivalent balances and restricted cash deposits. In fiscal year 2011, restricted cash deposits included one certificate of deposit for \$8.0 million with Scotia Bank and two certificates of deposit for \$8.0 million and \$2.0 million with Citibank and Scotia Bank, respectively, each as part of the Company's loan agreements with these banks. In addition approximately \$4.9 million in restricted cash was held as a certificate of deposit as part of the Company's loan agreement with Banco Del Pais (Banco del Pais is a Honduras-based bank). In fiscal year 2010, restricted cash deposits included a certificate of deposit of approximately \$6.0 million as part of the Company's loan agreement with Banco Del Pais (Banco del Pais is a Honduran based bank).

| | 2011 | | Fiscal Years Ended August 31, 2010 | | 2009 | |
|-----------------|--------|--------------------------------|---------------------------------------|-----------------------------|--------|--|
| | Amount | Increase from prior year | Amount | Increase from prior year | Amount | |
| Interest Income | \$ 852 | \$ 299 | \$ 553 | \$ 96 | \$ 457 | |

Comparison of 2011 to 2010 and 2009

For fiscal year 2011, the increase in interest income primarily reflects higher balances on deposits.

Interest Expense

| | Fiscal Years Ended August 31, | | | | | |
|---------------------------|-------------------------------|-----------------------------------|----------|--------------------------------|----------|--|
| | 2011 | | 2010 | | 2009 | |
| | Amount | Increase from prior year | Amount | Increase from prior year | Amount | |
| Interest expense on loans | \$ 4,792 | \$ 409 | \$ 4,383 | \$ 2,588 | \$ 1,795 | |
| Capitalized interest | (876) | 784 | (1,660) | (1,565) | (95) | |
| Net interest expense | \$ 3,916 | \$ 1,193 | \$ 2,723 | \$ 1,023 | \$ 1,700 | |

Comparison of 2011 to 2010 and 2010 to 2009

Interest expense reflects borrowings by the Company's wholly owned foreign subsidiaries to finance new warehouse club construction and land acquisition, the capital requirements of warehouse club operations, and ongoing working capital requirements. The increases in interest expense in the fiscal year 2011 is due to an increase in debt incurred by the Company, primarily to finance its initial investment in Colombia, including the cost of land construction.

For fiscal year 2011, the capitalized interest related to the final construction activities for the Arroyo Hondo, Dominican Republic warehouse club and the commencement of construction for the Barranquilla, Colombia warehouse club. For fiscal year 2010, the capitalized interest related to the construction of the Brisas, Panama and Arroyo Hondo, Dominican Republic warehouse clubs.

Other Income (Expense), net

Other income consists of gain or loss on sale of assets and currency gain or loss.

| | Fiscal Years Ended August 31, | | | | | | | |
|----------------------------------|-------------------------------|-----------------------------------|-------------|----------|-----------------------------------|-------------|----------|--|
| | 2011 | | 2010 | | 2009 | | | |
| | Amount | Increase from prior year | % Change | Amount | Increase from prior year | % Change | Amount | |
| Gain or (Loss) on sale of assets | \$ 763 | \$ 1,267 | (251.4)% | \$ (504) | \$ 5 | (1.0)% | \$ (509) | |

| | | | | | | | |
|------------------------------|----------|----------|----------|----------|-------|---------|----------|
| Currency Gain or (Loss) | 777 | 756 | 3600.0 | 21 | 51 | (170.0) | (30) |
| Total other income (expense) | \$ 1,540 | \$ 2,023 | (418.8)% | \$ (483) | \$ 56 | (10.4)% | \$ (539) |

Comparison of 2011 to 2010 and 2010 to 2009

For fiscal year 2011, currency gain was recorded as a result of the revaluation of non-functional currency monetary assets and liabilities of the Company's subsidiary in Colombia. The Company has recorded this Colombia currency gain as other income during the pre-opening phase of this location, since no sales operations existed in Colombia prior to August 2011. After the Colombia location began recording sales, currency gains or losses have been recorded as part of cost of goods sold.

The following table summarizes the asset disposals recorded for fiscal year 2011 (in thousands):

| Disposal Activity | Historical Cost | Accumulated Depreciation | Impairment and Other Costs | Proceeds from disposal | Gain/(Loss) recorded |
|-------------------------------------|-----------------|--------------------------|----------------------------|------------------------|----------------------|
| Sale of Property in Panama (1)(2) | (8,717) | \$ 2,748 | \$(188) | \$7,406 | \$1,249 |
| Disposal of assets no longer in use | (9,248) | 8,046 | 534 | 182 | (486) |
| | (17,965) | \$ 10,794 | \$ 346 | \$7,588 | \$763 |

(1) On April 9, 2010, the Company relocated one of its three warehouse clubs in Panama City, Panama ("Los Pueblos") to the completed new warehouse club ("Brisas"). The Company leased the Los Pueblos site to Juan Diaz Properties, S.A./ Ace International Hardware Corporation ("ACE") under a lease agreement with an option to purchase. ACE elected to exercise its option to purchase the property and on March 23, 2011 the Company's Panama subsidiary entered into a land sale agreement with ACE. The sales price of the property was approximately \$5.3 million.

(2) On March 23, 2011, the Company's Panama subsidiary entered into a land sale agreement with OD Panama S.A. for the sale of approximately 28,322 square feet of undeveloped land located adjacent to the Panama, Via Brasil location for approximately \$2.1 million. OD Panama S.A. will construct and maintain an Office Depot retail center at this location. Gonzalo Barrutieta, who has served as a member of the Company's board of directors since February 2008, is also a board member of Office Depot, Mexico.

For fiscal year 2010, the Company continued to record disposals of assets related to point of sale equipment and the replacement and upgrades of fixtures within the warehouse clubs.

Provision for Income Taxes

| | Amount | Fiscal Years Ended August 31, | | Amount | Increase/(decrease) from prior year | Amount | Increase/(decrease) from prior year | Amount |
|--------------------------------------|-----------|-------------------------------|---------|-----------|-------------------------------------|--------|-------------------------------------|--------|
| | | 2011 | 2010 | | | | | |
| Current tax expense | \$ 26,075 | \$ | 7,481 | \$ 18,594 | \$ | 4,603 | \$ | 13,991 |
| Net deferred tax provision (benefit) | \$ 1,393 | \$ | (2,800) | \$ 4,193 | \$ | 5,115 | \$ | (922) |
| Provision for income taxes | \$ 27,468 | \$ | 4,681 | \$ 22,787 | \$ | 9,718 | \$ | 13,069 |
| Effective tax rate | \$ 30.74% | \$ | | 31.54% | | | | 23.46% |

Comparison of 2011 to 2010

For fiscal year 2011, the decrease in the effective tax rate is primarily attributable to a \$3.1 million decrease in tax expense due to the correction of an error identified in the Company's reconciliation of net deferred tax assets related to net operating and capital loss carryforwards to its tax returns (see Notes to Consolidated Financial Statements - Note 1 - Company of Overview and Basis of Presentation). This error has no effect on the provision for income taxes going forward. This decrease was offset by the following: (i) an increase in U.S. statutory tax rate from 34% to 35%; (ii) a \$516,000 undistributed profits tax in Panama for accumulated retained earnings that the Company is not planning to repatriate to the US; (iii) a \$581,000 income tax accrual for uncertain tax positions; and (iv) a charge to taxes due to a taxable loss incurred in the Company's new Colombia entity for which it did not recognize a tax benefit. A full valuation allowance was recorded against the future tax benefit of losses generated by Colombia operations which started during fiscal year 2010. This valuation allowance is necessary because the Colombia operations have not established an earnings history to support recording a tax benefit.

Comparison of 2010 to 2009

For fiscal year 2010, the increase in the effective tax rate was primarily attributable to the following factors: (i) a significant increase in U.S. pre-tax income relative to non-U.S. pre-tax income, which is taxed at a statutory rate that is generally 4% to 9% higher than the foreign statutory tax rates; and (ii) in fiscal year 2009 only, the Company reversed approximately \$2.2 million of accrued income tax liability for uncertain tax positions due to a lapse in various statutes of limitations and \$2.8 million for the reversal of previously recorded valuation allowances.

Loss of Unconsolidated Affiliates

The Company's joint ventures are accounted for under the equity method of accounting in which the Company reflects its proportionate share of income or loss.

| | Fiscal Years Ended August 31, | | | | |
|-----------------------------------|-------------------------------|--------------------------|--------|--------------------------|--------|
| | 2011 | 2010 | | 2009 | |
| | Amount | Increase from prior year | Amount | Increase from prior year | Amount |
| Loss of unconsolidated affiliates | \$ 52 | \$ 30 | \$ 22 | \$ 1 | \$ 21 |

Under the equity method, the Company's initial investments in unconsolidated affiliates is initially recorded as an investment in the stock of an investee at cost. This is then adjusted to recognize the Company's share of the earnings or losses of the investee of the date of the initial investment. The losses from the Company's unconsolidated affiliates in Costa Rica and Panama in fiscal years 2011, 2010 and 2009 were primarily due to legal and administrative start-up costs incurred by the joint ventures.

Net Income Attributable to Noncontrolling Interests

Noncontrolling interest is the allocation of the joint venture income or loss to the noncontrolling stockholders' respective interest.

| | Fiscal Years Ended August 31, | | | | |
|---|-------------------------------|-------------------------------------|--------|-------------------------------------|--------|
| | 2011 | 2010 | | 2009 | |
| | Amount | Increase/(decrease) from prior year | Amount | Increase/(decrease) from prior year | Amount |
| Net income attributable to noncontrolling interests | \$ — | \$ (132) | \$ 132 | \$ (133) | \$ 265 |

Comparison of 2011 to 2010 and 2009

For fiscal years 2011 and 2010, the decrease in the amount attributable to noncontrolling interest was due to the Company acquiring within the third quarter of fiscal year 2010 the remaining 5% interest in the Company's Trinidad subsidiary that it did not own. As a result, the Company now owns 100% of all of the operating subsidiaries of the Company and now records 100% of these subsidiaries' income or loss.

Income from Continuing Operations Attributable to PriceSmart

| | Fiscal Years Ended August 31, | | | | |
|--|-------------------------------|--------|-----------|--------|--|
| | 2011 | 2010 | | 2009 | |
| | Amount | Amount | Increase/ | Amount | |

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| | Increase/(decrease) from prior year | | % Change | (decrease) from prior year | | % Change |
|--|--|-----------|-------------|-------------------------------------|----------|-------------|
| Income from Continuing Operations attributable to PriceSmart | \$ 61,836 | \$ 12,537 | 25.4% | \$ 49,299 | \$ 6,952 | 16.4% |
| | | | | | | \$ 42,347 |

Income (Loss) from Discontinued Operations, Net of Tax

Income (loss) from discontinued operations, net of tax reflects the consolidated income and expenses associated with those operations within the Company that were closed or disposed of and which meet the criteria for such treatment. Discontinued operations include the costs associated with the Company's previously closed warehouse location in Guam which was leased to a subtenant. In August 2011, the Company's lease obligation and sublease agreement expired; therefore, the Company does not expect to record any income or losses from discontinued operations due to the Guam closed warehouse location subsequent to fiscal year 2011.

| | Fiscal Years Ended August 31, | | | | | | |
|--|-------------------------------|---|-------------|--------|--|-------------|---------|
| | 2011 | | | 2010 | | | 2009 |
| | Amount | Increase/ (decrease) from prior year | % Change | Amount | Increase/ (decrease) from prior year | % Change | Amount |
| Income (loss) from discontinued operations, net of tax | \$ (86) | (102) | (637.5)% | \$ 16 | \$ 44 | (157.1)% | \$ (28) |

Comparison of 2011 to 2010

For fiscal year 2011, the Company continued to record expenses offset by sublease income for the closed warehouse location in Guam. The lease expired on August 9, 2011. The increase in the loss from discontinued operations for fiscal year 2011 is related to the income tax paid for fiscal year 2010 and the close of the lease obligation and sublease agreement. The Company no longer has any lease obligations for the closed warehouse club in Guam and expects to incur no significant additional expense.

Comparison of 2010 to 2009

For fiscal year 2010, the Company continued to record expenses offset by sublease income for the closed warehouse location in Guam.

Liquidity and Capital Resources

Financial Position and Cash Flow

The Company requires cash to fund its operating expenses and working capital requirements including the investment in merchandise inventories, acquisition of land and construction of new warehouse clubs, expansion of existing warehouse clubs and distribution centers, acquisitions of fixtures and equipment, routine upgrades and maintenance of fixtures and equipment within existing warehouse clubs, investments in joint ventures in Panama and Costa Rica to own and operate commercial retail centers located adjacent to the new warehouse clubs, the purchase of treasury stock upon the vesting of restricted stock awards and payment of dividends to stockholders. The Company used cash in fiscal year 2010 to acquire a minority interest in its Trinidad subsidiary. The Company's primary sources for funding these requirements are cash and cash equivalents on hand, cash generated from operations, short-term debt, long-term debt and credit facilities. The Company evaluates on a regular basis if it may need to borrow additional funds if the Company is unable to generate sufficient cash from operations to meet its operating or capital requirements. As such, the Company evaluates and may enter into or obtain additional loans and/or credit facilities to provide additional liquidity. Total cash and cash equivalents at the end of the periods reported were as follows (in thousands):

| | August 31, | |
|---------------------------|------------|-----------|
| | 2011 | 2010 |
| Cash and cash equivalents | \$ 76,817 | \$ 73,346 |

The Company's cash flows are summarized as follows (in thousands):

| | Twelve Months Ended August 31, | |
|--|-----------------------------------|-----------|
| | 2011 | 2010 |
| Net cash provided by (used in) continuing operating activities | \$75,526 | \$82,995 |
| Net cash provided by (used in) discontinued operations | 73 | 34 |
| Net cash provided by (used in) investing activities | (39,445) | (54,158) |
| Net cash provided by (used in) financing activities | (30,640) | (1,135) |
| Effect of exchange rates | (2,043) | 1,417 |
| Net increase (decrease) in cash and cash equivalents | \$3,471 | \$29,153 |

The Company's operating activities provided cash for all periods presented as summarized below.

| | Twelve Months Ended August 31, | | | Increase/(Decrease) | |
|---|--------------------------------|-----------|-----------|---------------------|-----------------|
| | 2011 | 2010 | 2009 | 2011 to 2010 | 2010 to 2009 |
| Net Income from Operating Activities | \$ 61,750 | \$ 49,447 | \$ 42,584 | \$ 12,303 | \$ 6,863 |
| Adjustments to reconcile net income to net cash provided from operating activities: | | | | | |
| Depreciation | 21,154 | 15,260 | 13,898 | 5,894 | 1,362 |
| Loss /(Gain) on sale of assets | (763) | 504 | 509 | (1,267) | (5) |
| Deferred income taxes | 642 | 3,562 | (1,805) | (2,920) | 5,367 |
| Cash paid for Guatemala Plaza buyout | — | — | (3,100) | — | 3,100 |
| Stock-based compensation expenses | 3,285 | 3,835 | 3,314 | (550) | 521 |
| Other non-cash operating activities | 128 | 29 | (273) | 99 | 302 |
| Net non-cash related expenses | 24,446 | 23,190 | 12,543 | 1,256 | 10,647 |
| Net Income from operating activities reconciled for non-cash operating activities | 86,196 | 72,637 | 55,127 | 13,559 | 17,510 |
| Changes in Operating Assets and Liabilities not including Merchandise Inventories | 35,373 | 25,707 | 1,871 | 9,666 | 23,836 |
| Changes in Merchandise Inventories | (46,043) | (15,349) | (1,947) | (30,694) | (13,402) |
| Net cash provided by discontinued operating activities | 73 | 34 | 307 | 39 | (273) |
| Net cash provided by (used in) operating activities | 75,599 | \$ 83,029 | 55,358 | (7,430) | 27,671 |

The 24.9% increase in Net Income from Operating Activities for fiscal year 2011 compared to fiscal year 2010 was primarily due to year-over-year increases in warehouse sales of 22.7%. Net non-cash related expenses increased for fiscal year 2011 compared to fiscal year 2010 primarily due to increase in depreciation expenses, reflective of the continuing investment activities in warehouse clubs and the correction of an error identified as immaterial for approximately \$2.3 million, offset by the gain on sales of assets primarily related to the sale of former "Los Pueblos" warehouse club in Panama City that was relocated to another location in Panama City, Panama. The increase in inventory in fiscal year 2011 compared to fiscal year 2010 was mainly the result of the addition of two new warehouse clubs; Santo Domingo, Dominican Republic (November 5, 2010) and Barranquilla, Colombia (August 19, 2011). The 16.1% increase in Net Income from Operating Activities for fiscal year 2010 compared to fiscal year 2009 was primarily due to increases in year-over-year warehouse sales of 11.6%. Net non-cash related expenses increased for fiscal year 2010 compared to fiscal year 2009 primarily due to increase in depreciation expenses, reflective of the continuing investment activities in warehouse clubs, increase in Deferred Income Taxes recorded in fiscal year 2010 and the impact of the Guatemala lease buyout in fiscal year 2009.

The Company's use of cash in investing activities for the period presented is summarized below:

| | Twelve Months Ended August 31, | | | Increase/(Decrease) | |
|--------------------------------------|--------------------------------|------|------|---------------------|-----------------|
| | 2011 | 2010 | 2009 | 2011 to 2010 | 2010 to 2009 |
| Cash used for additions of property: | | | | | |

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| | | | | | |
|--|-----------|-----------|-----------|-------------|------------|
| Land acquisitions | \$ 6,814 | \$ 6,700 | \$ 11,099 | \$ 114 | \$ (4,399) |
| Warehouse club expansion, construction, and land improvements | 24,859 | 28,524 | 25,200 | (3,665) | 3,324 |
| Acquisition of fixtures and equipment | 15,360 | 14,983 | 13,048 | 377 | 1935 |
| Increase in joint venture investment | | | | | |
| Panama | — | 433 | — | (433) | 433 |
| Proceeds on sale of excess real estate in Panama | (7,406) | — | — | (7,406) | |
| Acquisition of 5% non-controlling interest, Trinidad | — | 3,800 | — | (3,800) | 3,800 |
| Collection of note receivable from sale of closed warehouse club in the Dominican Republic | — | — | (2,104) | — | 2,104 |
| Purchase of interest in Panama joint venture | — | — | 4,616 | — | (4,616) |
| Capital contribution to Panama joint venture | — | — | 50 | — | (50) |
| Purchase of interest in Costa Rica joint venture | — | — | 2,637 | — | (2,637) |
| Capital contribution to Costa Rica joint venture | — | — | 377 | — | (377) |
| Proceeds from disposals of property and equipment | (182) | (282) | (181) | 100 | (101) |
| Net cash flows (provided by) used in investing activities | \$ 39,445 | \$ 54,158 | \$ 54,742 | \$ (14,713) | \$ (584) |

Net cash used in investing activities was lower in fiscal year 2011 compared to fiscal year 2010 by approximately \$14.7 million primarily due to a decrease in the number of land acquisitions and a decrease in warehouse club construction and proceeds from the sale of excess real estate in Panama for approximately \$7.4 million. Net cash used in investing activities in fiscal year 2010 was approximately the same as cash used in investing activities as fiscal year 2009. The increased use of cash for the purchase of land and warehouse club construction in fiscal year 2010 was approximately the same as cash used in fiscal year 2009 for the purchase of joint ventures.

Net cash used by financing activities for the period presented is summarized below:

| | Twelve Months Ended August 31, | | | Increase/(Decrease) | |
|--|--------------------------------|------------|------------|---------------------|--------------|
| | 2011 | 2010 | 2009 | 2011 to 2010 | 2010 to 2009 |
| New Bank Loans offset by establishment of certificate of deposits held against loans and payments on existing bank loans | \$ (10,891) | \$ 13,982 | \$ 16,193 | \$ (24,873) | \$ (2,211) |
| Cash dividend payments | (17,934) | (14,895) | (19,551) | (3,039) | 4,656 |
| Stockholder contribution | — | 396 | — | (396) | 396 |
| Proceeds from exercise of stock options and the tax benefit related to stock options | 896 | 816 | 543 | 80 | 273 |
| Purchase of treasury stock related to vesting of restricted stock | (2,711) | (1,434) | (1,128) | (1,277) | (306) |
| Purchase of treasury stock related to PSC settlement | — | — | (161) | — | 161 |
| Net cash provided (used) in financing activities | \$ (30,640) | \$ (1,135) | \$ (4,104) | \$ (29,505) | \$ 2,969 |

Net cash used in financing activities increased in fiscal year 2011 over 2010 primarily due to a decrease in net borrowings resulting from normally scheduled loan payments. Loans obtained in fiscal year 2011 were primarily offset by certificates of deposit established as collateral for those loans. Dividend payments reflected the increase in the dividend declared for fiscal year 2011. In addition, the purchase of treasury stock in connection with the vesting of restricted stock increased as a result of increases in the Company's stock price.

Financing Activities(1)

On March 14, 2011 the Company's Colombia subsidiary entered into a loan agreement with Scotiabank & Trust (Cayman) Ltd. The agreement establishes a credit facility for \$16.0 million to be disbursed in several tranches. The interest rate is set at the three-month LIBOR rate plus 0.7%. The loan term is five years with interest only payments and a balloon payment at maturity. This loan is secured by a time deposit of \$16.0 million pledged by the Company's Costa Rican subsidiary. The deposit will earn an interest rate of three-month LIBOR. The first tranche of \$8.0 million was funded on April 1, 2011, and the Company secured this portion of the loan with an \$8.0 million secured time deposit. The second tranche of \$2.0 million was funded on July 28, 2011, and the Company secured this portion of the loan with a \$2.0 million secured time deposit. Subsequent to August 31, 2011, the Company drew down the

third and final tranche of \$6.0 million on September 30, 2011, and the Company secured this portion of the loan with a \$6.0 million secured time deposit.

On November 25, 2010, the Company's Barbados subsidiary paid off its Barbados local currency loan to Citicorp Merchant Bank Limited for approximately \$3.3 million.

On November 1, 2010, the Company's Colombia subsidiary entered into a loan agreement with Citibank, N.A. in New York. The agreement establishes a credit facility for \$16.0 million to be disbursed in two tranches of \$8.0 million each. The interest rate is set at the six-month LIBOR rate plus 2.4%. The loan term is five years with interest only payments and a balloon payment at maturity. The credit facility is renewable for an additional five-year period at the option of the Company's Colombia subsidiary. This loan is secured by a time deposit pledged by the Company equal to the amount outstanding on the loan. The deposit will earn interest at a rate of six month LIBOR plus 1.6%. The Company received the first of the two tranches of \$8.0 million and made a restricted deposit of \$8.0 million during November 2010.

On August 31, 2010, the Company's Panama subsidiary entered into a loan agreement with Metrobank S.A. for \$5.0 million to be paid over five years. The loan has a tiered fixed interest rate of 5.0% and 5.5% in the first year and the second and third years, respectively. In the fourth and fifth years of the loan, the interest rate will become variable and be equal to the United States prime rate plus 2.5%. The loan agreement contains a balloon payment at the end of the term of \$2.5 million and includes an option to extend the loan for an additional five years.

On March 16, 2010, the Company's Honduras subsidiary entered into a loan agreement with Banco Del Pais, S.A. for a loan based in Honduran lempiras that is equivalent to \$6.0 million, which must be paid over five years. The loan has a variable interest rate of 11.25%, which will be periodically reviewed and re-set with a 30-day notice of change in the rate. Early payment of the loan is permitted. On March 16, 2010, the Company's Honduras subsidiary also entered into an agreement with Banco Del Pais to open and maintain a certificate of deposit for \$6.0 million with an initial interest rate of 3.88%. The certificate of deposit is automatically renewable by Banco Del Pais on an annual basis for the net amortized outstanding balance on the loan obtained on March 16, 2010, for the period of the loan. The Company entered into this loan and certificate of deposit agreement consistent with its strategy to reduce U.S. dollar-denominated liabilities by obtaining local currency loans from banks where it is economical to do so and where risk of devaluation or the level of U.S. dollar-denominated liabilities is high.

On January 12, 2010, the Company's Honduras subsidiary entered into a loan agreement with ScotiaBank El Salvador S.A. for the amount of \$6.0 million to be paid over five years. The loan initially had an interest rate set at the greater of 7.5% or 30-day LIBOR plus 4%. As of July 1, 2010, the interest on this loan was fixed at 5.5% for the rest of its term. The loan requires a balloon payment at the end of the loan term of approximately \$3.1 million.

On September 1, 2009, the Company's El Salvador subsidiary entered into a loan agreement with ScotiaBank El Salvador S.A. for the amount of \$8.0 million to be paid over five years. The loan initially had an interest rate set at the greater of 7.5% or 30-day LIBOR plus 4%. As of July 1, 2010, the interest on this loan was fixed at 5.5% for the rest of its term. The loan requires a balloon payment at the end of the loan term of \$4.1 million.

The Company, through its subsidiaries, has entered into two interest rate swap agreements, one effective beginning in each of fiscal years 2008 and 2009. Under these swap agreements, the Company will pay a fixed interest rate for a term approximately the same as the variable rate loans being hedged. In addition, the Company's Colombia subsidiary entered into a cross-currency interest rate swap agreement on May 5, 2011 with the Bank of Nova Scotia ("Scotia Bank"). Under the cross-currency interest rate swap agreement, the Company will receive variable interest in U.S. dollars based on the three-month LIBOR rate plus 0.7% on a notional amount of US\$8.0 million and pay fixed Colombian peso ("COP") interest of 6.09% on a notional of COP 14,136,000,000 for a term of approximately five years. The first LIBOR reset dates for the hedged long-term debt and the cross-currency interest rate swap occur on the first day of January, April, July, and October, beginning on July 5, 2011. The quarterly interest due to or due from Scotia Bank on the derivative instrument will be settled on a net basis. That is, if the floating leg is greater than the fixed leg on the swap, then the Company will receive a single, net amount from Scotia Bank. Conversely, if the fixed leg is greater than the floating leg, the Company will pay a single net amount to Scotia Bank.

The Company measures the fair value for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis or on a nonrecurring basis during the reporting period. The Company has designated the interest rate swaps and cross-currency interest rate swap agreements as hedging instruments and has accounted for them under hedge accounting rules. The following table summarizes the effect of the fair valuation of derivative instruments designated as hedging instruments (in thousands):

(1) All loans are denominated in U.S. dollars unless otherwise stated.

| | Liability Derivatives | | | |
|---|------------------------|------------|------------------------|------------|
| | August 31, 2011 | | August 31, 2010 | |
| Derivatives designated as cash flow hedging instruments | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| Interest rate swaps(1) | Other Accrued Expenses | \$ 544 | Other Accrued Expenses | \$ 767 |
| Cross currency interest rate swap(2) | Other Accrued Expenses | 340 | Other Accrued Expenses | — |
| Total derivatives designated as hedging instruments(3) | | \$ 884 | | \$ 767 |

(1) The effective portion of the interest rate swaps was recorded as a loss to accumulated other comprehensive loss for \$408,000 and \$576,000, net of tax, as of August 31, 2011 and August 31, 2010, respectively. The Company has recorded a deferred tax asset amount of \$136,000.

(2) The effective portion of the cross currency interest rate swap was recorded as a loss to accumulated other comprehensive loss for \$340,000 as of August 31, 2011. The Company has recorded a valuation allowance on the related deferred tax asset.

(3) All derivatives were designated as cash flow hedging instruments.

Short-Term Borrowings and Long-Term Debt

Short-term borrowings consist of lines of credit which are secured by certain assets of the Company and its subsidiaries and are guaranteed by the Company as summarized below (in thousands):

| | Total Amount of Facilities | Facilities Used | | | Facilities Available | Weighted average interest rate |
|--------------------|----------------------------------|--------------------------|-------------------|-----------|-------------------------|--------------------------------------|
| | | Short-term Borrowings | Letters of Credit | | | |
| August 31, 2011 \$ | 28,033 \$ | 2,259 | \$ 453 | \$ 25,321 | 9.5% | |
| August 31, 2010 \$ | 27,940 \$ | 3,551 | \$ 470 | \$ 23,919 | 9.5% | |

As of August 31, 2011 and August 31, 2010, the Company, together with its majority or wholly owned subsidiaries, had \$68.2 million and \$60.7 million, respectively, outstanding in long-term borrowings. The increase during the current period primarily relates to the addition of long-term loans for approximately \$18.0 million, offset by normally scheduled payments of principal for approximately \$10.5 million. The carrying amount of the non-cash assets assigned as collateral for long-term debt was \$93.2 million and \$87.4 million as of August 31, 2011 and August 31, 2010, respectively.

As of August 31, 2011 and August 31, 2010, approximately \$47.5 million and \$36.7 million, respectively, relate to loans in Trinidad, Barbados, Panama, El Salvador, Honduras and Colombia that require these subsidiaries to comply with certain annual or quarterly financial covenants which include debt service and leverage ratios. As of August 31, 2011 and August 31, 2010, the Company was in compliance with respect to these covenants.

Contractual Obligations

As of August 31, 2011, the Company's commitments to make future payments under long-term contractual obligations were as follows (in thousands):

| Contractual obligations | Payments due in: | | | | Total |
|--|---------------------|-----------------|-----------------|------------------|-----------|
| | Less than 1 Year | 1 to 3 Years | 4 to 5 Years | After 5 Years | |
| Long-term debt and interest(1) | \$11,667 | \$25,772 | \$40,259 | \$3,344 | \$81,042 |
| Operating leases(2) | 6,833 | 13,910 | 13,443 | 43,720 | 77,906 |
| Additional capital contribution commitments to joint ventures(3) | 3,663 | — | — | — | 3,663 |
| Data recovery services(4) | 203 | 135 | — | — | 338 |
| Distribution center services(5) | 42 | — | — | — | 42 |
| Total | \$22,408 | \$39,817 | \$53,702 | \$47,064 | \$162,991 |

(1) Long-term debt includes debt with both fixed and variable interest rates. The Company has used variable rates as of August 31, 2011 to calculate future estimated payments related to the variable rate items. For the portion of the loans subject to interest rate swaps and cross currency interest rate swap, the Company has used the fixed interest rates as set by the interest rate swaps.

(2) Operating lease obligations have been reduced by approximately \$560,000 to reflect the amounts net of sublease income.

(3) Amounts shown are the contractual capital contribution requirements for the Company's investment in the joint ventures that the Company has agreed to make; however, the parties intend to seek alternate financing for these projects.

(4) Amounts shown are the minimum payments under contract for the Company's offsite data recovery services agreement.

(5) Amounts shown are the minimum payments under contractual distribution center services agreements for Mexico City.

Derivatives

The Company is exposed to certain risks relating to its ongoing business operations. One risk managed by the Company using derivative instruments is interest rate risk. To manage interest rate exposure, the Company enters into hedge transactions (interest rate swaps) using derivative financial instruments. The objective of entering into interest rate swaps is to eliminate the variability of cash flows in the LIBOR interest payments associated with variable-rate loans over the life of the loans. As changes in interest rates impact the future cash flow of interest payments, the hedges provide a synthetic offset to interest rate movements.

In addition, the Company is also exposed to foreign currency and interest rate cash flow exposure related to a non-functional currency long-term debt of one of its wholly owned subsidiaries. To manage this foreign currency and interest rate cash flow exposure, the Company's subsidiary entered into a cross currency interest rate swap that converts its foreign currency denominated floating interest payments to functional currency fixed interest payments during the life of the hedging instrument. As changes in foreign exchange and interest rates impact the future cash flow of interest payments, the hedge is intended to offset changes in cash flows attributable to interest rate and foreign exchange movements.

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction is determined to be ineffective. There were no such

amounts for the periods reported herein.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have had, or are reasonably likely to have, a material current or future effect on our financial condition or consolidated financial statements.

Repurchase of Equity Securities

Upon vesting of restricted stock awarded by the Company to employees, the Company repurchases shares and withholds the amount of the repurchase payment to cover employees' tax withholding obligations. These were the only repurchases of equity securities made by the Company during the fiscal years 2011 and 2010. The Company does not have a stock repurchase program.

| Period | (a) Total Number of Shares Purchased 2011 | (b) Average Price Paid Per Share 2011 | (a) Total Number of Shares Purchased 2010 | (b) Average Price Paid Per Share 2010 |
|--------------------------------------|--|--|--|--|
| 1st quarter ended November 30, | \$ — | | — | \$ — |
| 2nd quarter ended February 28, | 64,837 | 37.39 | 66,295 | \$ 19.99 |
| 3rd quarter ended May 31, | 2,599 | 34.65 | 2,649 | \$ 23.46 |
| 4th quarter ended August 31, | 1,710 | 61.20 | 1,701 | \$ 26.78 |
| Total fiscal year | 69,146 | \$ 44.41 | 70,645 | \$ 23.41 |

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements requires that management make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Some of the Company's accounting policies require management to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Management continues to review its accounting policies and evaluate its estimates, including those related to contingencies and litigation, deferred taxes, merchandise inventories, and long-lived assets. The Company bases its estimates on historical experience and on other assumptions that management believes to be reasonable under the present circumstances. Using different estimates could have a material impact on the Company's financial condition and results of operations.

Contingencies and Litigation: In the ordinary course of business, the Company is periodically named as a defendant in various lawsuits, claims and pending actions and is exposed to tax risks (other than income tax). The principal risks that the Company insures against are workers' compensation, general liability, vehicle liability, property damage, employment practices, errors and omissions, fiduciary liability and fidelity losses. If a potential loss arising from these lawsuits, claims, actions and non-income tax issues is probable and reasonably estimable, the Company records the estimated liability based on circumstances and assumptions existing at the time. The estimates affecting the Company's litigation reserves can be affected by new claims filed after the balance sheet date with respect to events occurring prior to the balance sheet date and developments in pending litigation that may affect the outcome of the litigation. While the Company believes the recorded liabilities are adequate, there are inherent limitations in projecting the outcome of litigation and in evaluating the probable additional tax associated with various non-income tax filing positions. As such, the Company is unable to make a reasonable estimate of the sensitivity to change of estimates affecting its recorded liabilities. As additional information becomes available, the Company assesses the potential liability and revises its estimates as appropriate. While the Company believes the recorded liabilities are adequate, there are inherent limitations in the estimation process whereby actual losses may exceed estimated losses.

Income Taxes: A valuation allowance is recorded to reduce deferred tax assets to the amount that is more likely than not to be realized. As of August 31, 2011, the Company evaluated its deferred tax assets and liabilities and determined that a valuation allowance is necessary for certain foreign deferred tax asset balances, primarily because of the existence of significant negative objective evidence, such as the fact that certain subsidiaries are in a cumulative loss position for the past three years, and the determination that certain net operating loss carry-forward periods are not sufficient to realize the related deferred tax assets. The Company factored into its analysis the inherent risk of forecasting revenue and expenses over an extended period of time and also considered the potential risks associated with its business.

The Company had federal and state tax net operating loss carry-forwards, or NOLs, at August 31, 2011 of approximately \$29.8 million and \$4.6 million, respectively. In calculating the tax provision, and assessing the likelihood that the Company will be able to utilize the deferred tax assets, the Company considered and weighed all of the evidence, both positive and negative, and both objective and subjective. The Company factored in the inherent risk of forecasting revenue and expenses over an extended period of time and considered the potential risks associated with its business. Because of the Company's U.S. income from continuing operations and based on projections of future taxable income in the United States, the Company was able to determine that there was sufficient positive evidence to support the conclusion that it was more likely than not that the Company would be able to realize substantially all of its U.S. NOLs by generating taxable income during the carry-forward period. However, if the Company does not

achieve its projections of future taxable income in the United States, the Company could be required to take a charge to earnings related to the recoverability of these deferred tax assets. Due to the deemed change of ownership (as defined in Section 382 of the Internal Revenue Code) in October 2004, there are annual limitations in the amount of U.S. income that may be offset by NOLs. The NOLs generated prior to the deemed ownership change date, as well as a significant portion of the losses generated as a result of the PSMT Philippines disposal in August 2005, are limited on an annual basis. The Company does not believe this will impact the recoverability of these NOLs.

The Company is required to file federal and state tax returns in the United States and various other tax returns in foreign jurisdictions. The preparation of these tax returns requires the Company to interpret the applicable tax laws and regulations in effect in such jurisdictions, which could affect the amount of tax paid by the Company. The Company, in consultation with its tax advisors, bases its tax returns on interpretations that are believed to be reasonable under the circumstances. The tax returns, however, are subject to routine reviews by the various taxing authorities in the jurisdictions in which the Company files its returns. As part of these reviews, a taxing authority may disagree with respect to the interpretations the Company used to calculate its tax liability and therefore require the Company to pay additional taxes and associated penalties and interest.

The Company accrues an amount for its estimate of probable additional income tax liability. The Company recognizes the impact of an uncertain income tax position on the income tax return at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than 50% likelihood of being sustained. As of August 31, 2011, the Company has classified uncertain income tax positions as \$3.3 million in long-term income taxes payable. The classification of an income tax liability as current, as opposed to long-term, occurs when the Company expects to make a cash payment in the following 12 months. As of August 31, 2011, the Company does not expect to make cash payments for these liabilities in the following 12 months.

Merchandise Inventory: The Company records its inventory at the lower of cost (average cost) or market. The Company provides for estimated inventory losses between physical inventory counts on the basis of a percentage of sales. The provision is adjusted monthly to reflect the trend of actual physical inventory count results, with physical inventories occurring primarily in the second and fourth fiscal quarters. In addition, the Company monitors slow-moving inventory to determine if provisions should be taken for expected markdowns below the carrying cost of certain inventory to expedite the sale of such merchandise. The uncertainties associated with these methods, assumptions and estimates with regard to the Company's reported inventory, including the estimated provisions, has not had and is not expected to have a material impact on the financial condition and operating performance of the Company or on the comparability of the reported information for the periods presented, as historically the actual results have not differed materially from the estimates. The likelihood of any material changes in inventory losses or markdowns is dependent on customer demand or new product introductions by the Company or its competitors that vary from current expectations. The Company believes that any changes on these factors are not reasonably likely to occur and hence not reasonably likely to have a material impact on the Company's financial results.

Long-lived Assets: The Company periodically evaluates its long-lived assets for indicators of impairment. Indicators that an asset may be impaired are:

- the asset's inability to continue to generate income from operations and positive cash flow in future periods;
- loss of legal ownership or title to the asset;
- significant changes in its strategic business objectives and utilization of the asset(s); and
- the impact of significant negative industry or economic trends.

Management's judgments are based on market and operational conditions at the time of the evaluation and can include management's best estimate of future business activity, which in turn drives estimates of future cash flows from these assets. These periodic evaluations could cause management to conclude that impairment factors exist, requiring an adjustment of these assets to their then-current fair market value. Future business conditions and/or activity could differ materially from the projections made by management causing the need for additional impairment charges. No impairment charges have been recorded during fiscal year 2011.

Recent Accounting Pronouncements

FASB ASC 350

In September 2011, the FASB issued guidance regarding assessing whether it is necessary to perform goodwill impairment tests on a recurring basis. The guidance permits an entity to first assess qualitative factors to determine whether it is "more likely than not" that the fair market value of a reporting unit is less than its carrying amounts as a basis for determining whether it is necessary to perform the goodwill impairment test. The amended guidance is effective for annual and interim periods beginning after December 15, 2011, with early adoption permitted, including annual and interim goodwill impairment tests performed as of dates before September 15, 2011, if an entity's financial statements for the most recent annual or interim period have not yet been issued. The Company has adopted this guidance as of August 31, 2011. Adoption of this guidance did not have a material impact on the Company's

consolidated financial statements.

FASB ASC 220

In June 2011, the FASB issued guidance to amend the presentation of comprehensive income to allow an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amended guidance is effective for annual and interim periods within those years beginning after December 15, 2011, and is to be applied retrospectively. The Company will adopt this guidance at the beginning of its first quarter of fiscal year 2013. Adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

FASB ASC 820

In May 2011, the FASB issued guidance to amend the requirements related to fair value measurement which changes the wording used to describe many requirements in GAAP for measuring fair value and for disclosing information about fair value measurements. Additionally, the amendments clarify the FASB's intent about the application of existing fair value measurement requirements. The amended guidance is effective for interim and annual periods beginning after December 15, 2011, and is applied prospectively. The Company will adopt this guidance at the beginning of its first quarter of fiscal year 2013. Adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

FASB ASC 310

In February 2011, the FASB temporarily delayed the effective date of amended guidance regarding disclosures about troubled debt, the credit quality of financing receivables and the allowance for credit losses. This amended guidance is intended to provide additional information to assist financial statement users in assessing an entity's credit risk exposures and evaluating the adequacy of its allowance for credit losses by providing disclosures that facilitate financial statement users' evaluation of the nature of credit risk inherent in the entity's portfolio of financing receivables, how that risk is analyzed and assessed in arriving at the allowance for credit losses, and the changes and reasons for those changes in the allowance for credit losses. The new effective date of this amended guidance requires the Company to adopt this amended guidance on the disclosures for interim and annual periods ending after June 15, 2011. The adoption of this guidance on disclosures in the fourth quarter of fiscal 2011 did not have an impact on the Company's consolidated financial statements or disclosures with regard to financing receivables.

FASB ASC 350

In December 2010, the FASB issued amended guidance concerning testing for impairment of goodwill where an entity has one or more reporting units whose carrying value is zero or negative. The amended guidance requires the entity to perform a test to measure the amount, if any, of impairment to goodwill by comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. The Company is required to adopt this amended guidance for fiscal years or interim periods beginning after December 15, 2011. The Company will adopt this guidance at the beginning of its third quarter of fiscal year 2012. The Company does not expect that adoption of the amended guidance will have an impact on the Company's consolidated financial statements or disclosures to those financial statements.

FASB ASC 805

In December 2010, the FASB issued amended guidance concerning disclosures of pro forma information for business combinations. The amended guidance requires that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. The amended guidance also expands the supplemental pro forma disclosures to include a description of and the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The Company is required to adopt this amended guidance for fiscal years or interim periods beginning after December 15, 2011. The Company will adopt this guidance at the beginning of its third quarter of fiscal year 2012. The Company does not expect that adoption of the amended guidance will have an impact on the Company's consolidated financial statements or disclosures to those financial statements.

Seasonality

Historically, the Company's merchandising businesses have experienced holiday retail seasonality in their markets. In addition to seasonal fluctuations, the Company's operating results fluctuate quarter-to-quarter as a result of economic and political events in markets served by the Company, the timing of holidays, weather, the timing of shipments, product mix, and currency effects on the cost of U.S.-sourced products which may make these products more or less expensive in local currencies and therefore more or less affordable. Because of such fluctuations, the results of operations of any quarter are not indicative of the results that may be achieved for a full fiscal year or any future quarter. In addition, there can be no assurance that the Company's future results will be consistent with past results or the projections of securities analysts.

Quantitative and Qualitative Disclosures about Market Risk

The Company, through wholly owned subsidiaries, conducts operations primarily in Latin America and the Caribbean, and as such is subject to both economic and political instabilities that cause volatility in foreign currency exchange rates or weak economic conditions. As of August 31, 2011, the Company had a total of 29 consolidated warehouse clubs operating in 12 foreign countries and one U.S. territory, 22 of which operate under currencies other than the U.S. dollar. For fiscal year 2011, approximately 79% of the Company's net warehouse club sales were in foreign currencies. The Company may enter into additional foreign countries in the future or open additional locations in existing countries, which may increase the percentage of net warehouse sales denominated in foreign currencies.

Foreign currencies in most of the countries where the Company operates have historically devalued against the U.S. dollar and are expected to continue to devalue. This devaluation trend was reversed in certain countries in fiscal year 2011 and 2010, as Barbados, Colombia, and Guatemala experienced a strengthening of 0.7%, 2.2% and 3.0% in fiscal year 2011. Costa Rica, Jamaica and Guatemala experienced a 14%, 4% and 3% strengthening of their currencies in fiscal year 2010, respectively. Foreign exchange transaction gains (losses), including repatriation of funds, which are included as part of the costs of goods sold and other income (expense) in the consolidated statements of income, for fiscal years 2011, 2010 and 2009 were approximately \$2.5 million, \$1.5 million and (\$1.4 million), respectively. These foreign exchange fluctuations can increase the Company's cost of sales, operating, selling, general and administrative expenses, and otherwise adversely affect the Company's operating results. There can be no assurance that the Company will not experience any other materially adverse effects on the Company's business, financial condition, operating results, cash flow or liquidity, from currency devaluations in other countries.

Translation adjustment gains/(losses) from the Company's share of subsidiaries and investment in affiliates that use a functional currency other than the U.S. dollar, resulting from the translation of the assets and liabilities of these companies into U.S. dollars, were approximately (\$5.8 million) and \$670,000 for fiscal years 2011 and 2010, respectively. For fiscal years 2011 and 2010, gains/(losses) on the fair value of interest rate swaps designated as effective hedges recorded in accumulated other comprehensive income/(loss) were approximately (\$172,000) and (\$112,000), net of tax, respectively. In addition an unrealized expense (net of tax) on defined benefit plan of \$273,000 for fiscal year 2011 was recorded. The unfavorable translation adjustments during the 12 months of fiscal year 2011 of approximately \$5.8 million were primarily due to weaker foreign currencies and the reclassification of approximately \$4.9 million to accumulated depreciation. The \$172,000 increase in unrealized losses was mainly due to the change in the fair value of the interest rate swaps from fiscal year 2010 to August 31, 2011. The \$273,000 is the result of recording the funding obligations for the defined benefit plan entered into by the Company on January 21, 2011 in Trinidad. The favorable translation adjustments of approximately \$670,000 during fiscal year 2010 were due to a weaker U.S. dollar.

The following is a listing of the countries or territories where the Company currently operates and their respective currencies, as of August 31, 2011:

| Country/Territory | Number of Warehouse Clubs In Operation | Currency |
|-----------------------|--|----------------------------|
| Colombia | 1(1) | Colombian Peso |
| Panama | 4 | U.S. Dollar |
| Costa Rica | 5 (2) | Costa Rican Colon |
| Dominican Republic | 3 (3) | Dominican Republic Peso |
| Guatemala | 3 | Guatemalan Quetzal |

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| | | |
|---------------------|-------|-----------------|
| El Salvador | 2 | U.S. Dollar |
| | | Honduran |
| Honduras | 2 | Lempira |
| Trinidad | 4 (4) | Trinidad Dollar |
| Aruba | 1 | Aruba Florin |
| Barbados | 1 | Barbados Dollar |
| U.S. Virgin Islands | 1 | U.S. Dollar |
| Jamaica | 1 | Jamaican Dollar |
| | | Nicaragua |
| Nicaragua | 1 | Cordoba Oro |
| Totals | 29 | |

- (1) This warehouse club opened on August 19, 2011.
- (2) The Company opened a warehouse club in fiscal year 2009 in Costa Rica.
- (3) The Arroyo Hondo warehouse club opened on November 5, 2010.
- (4) The Company opened a warehouse club on April 30, 2010 in Trinidad (“San Fernando”).

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of PriceSmart, Inc.

We have audited the accompanying consolidated balance sheets of PriceSmart, Inc. as of August 31, 2011 and 2010, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended August 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of PriceSmart, Inc. at August 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended August 31, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), PriceSmart, Inc.'s internal control over financial reporting as of August 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 9, 2011 expressed an adverse opinion thereon.

/s/ Ernst & Young LLP

San Diego, California
November 9, 2011

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

| | August 31, | |
|---|------------|-----------|
| | 2011 | 2010 |
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$76,817 | \$73,346 |
| Short-term restricted cash | 1,240 | 1,240 |
| Receivables, net of allowance for doubtful accounts of \$5 and \$15 as of August 31, 2011 and August 31, 2010, respectively | 3,655 | 2,855 |
| Merchandise inventories | 177,232 | 131,190 |
| Deferred tax assets – current | 4,252 | 3,639 |
| Prepaid expenses and other current assets | 29,117 | 21,879 |
| Assets of discontinued operations | 464 | 692 |
| Total current assets | 292,777 | 234,841 |
| Long-term restricted cash | 22,626 | 5,640 |
| Property and equipment, net | 281,111 | 265,544 |
| Goodwill | 37,361 | 37,471 |
| Deferred tax assets – long term | 17,000 | 16,637 |
| Other assets | 5,390 | 4,341 |
| Investment in unconsolidated affiliates | 8,063 | 8,091 |
| Total Assets | \$664,328 | \$572,565 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities: | | |
| Short-term borrowings | \$2,259 | \$3,551 |
| Accounts payable | 163,432 | 124,401 |
| Accrued salaries and benefits | 11,681 | 10,911 |
| Deferred membership income | 11,416 | 9,729 |
| Income taxes payable | 7,655 | 6,615 |
| Other accrued expenses (includes \$884,000 and \$767,000 as of August 31, 2011 and August 31, 2010, respectively, for the fair value of derivative instruments) | 13,440 | 12,095 |
| Long-term debt, current portion | 7,771 | 7,715 |
| Deferred tax liability – current | 533 | 357 |
| Liabilities of discontinued operations | 40 | 109 |
| Total current liabilities | 218,227 | 175,483 |
| Deferred tax liability – long-term | 1,888 | 1,198 |
| Long-term portion of deferred rent | 4,143 | 3,272 |
| Long-term income taxes payable, net of current portion | 3,310 | 3,564 |
| Long-term debt, net of current portion | 60,451 | 53,005 |
| Other long-term liabilities | 471 | — |
| Total liabilities | 288,490 | 236,522 |
| Equity: | | |

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| | | |
|--|-----------|-----------|
| Common stock, \$0.0001 par value, 45,000,000 shares authorized; 30,695,933 and 30,624,666 shares issued and 29,900,030 and 29,897,909 shares outstanding (net of treasury shares) as of August 31, 2011 and August 31, 2010, respectively. | 3 | 3 |
| Additional paid-in capital | 383,549 | 379,368 |
| Tax benefit from stock-based compensation | 5,242 | 4,490 |
| Accumulated other comprehensive loss | (22,915) | (16,672) |
| Retained earnings (accumulated deficit) | 28,238 | (15,578) |
| Less: treasury stock at cost; 795,903 and 726,757 shares as of August 31, 2011 and August 31, 2010, respectively. | (18,279) | (15,568) |
| Total equity | 375,838 | 336,043 |
| Total Liabilities and Equity | \$664,328 | \$572,565 |

See accompanying notes.

PRICESMART, INC.
CONSOLIDATED STATEMENTS OF INCOME
(amounts in thousands, except per share data)

| | Years Ended August 31, | | |
|--|------------------------|------------------|------------------|
| | 2011 | 2010 | 2009 |
| Revenues: | | | |
| Net warehouse club sales | \$ 1,675,247 | \$ 1,365,801 | \$ 1,224,331 |
| Export sales | 8,831 | 4,139 | 3,679 |
| Membership income | 22,817 | 19,742 | 17,903 |
| Other income | 7,352 | 6,209 | 5,715 |
| Total revenues | 1,714,247 | 1,395,891 | 1,251,628 |
| Operating expenses: | | | |
| Cost of goods sold: | | | |
| Net warehouse club | 1,422,332 | 1,156,374 | 1,044,555 |
| Export | 8,372 | 3,890 | 3,484 |
| Selling, general and administrative: | | | |
| Warehouse club operations | 154,819 | 126,274 | 114,957 |
| General and administrative | 36,436 | 33,319 | 30,882 |
| Pre-opening expenses | 1,408 | 1,123 | 515 |
| Asset impairment and closure costs (income) | — | 18 | (249) |
| Total operating expenses | 1,623,367 | 1,320,998 | 1,194,144 |
| Operating income | 90,880 | 74,893 | 57,484 |
| Other income (expense): | | | |
| Interest income | 852 | 553 | 457 |
| Interest expense | (3,916) | (2,723) | (1,700) |
| Other income (expense), net | 1,540 | (483) | (539) |
| Total other income (expense) | (1,524) | (2,653) | (1,782) |
| Income from continuing operations before provision for income taxes and loss of unconsolidated affiliates | 89,356 | 72,240 | 55,702 |
| Provision for income taxes | (27,468) | (22,787) | (13,069) |
| Income (loss) of unconsolidated affiliates | (52) | (22) | (21) |
| Income from continuing operations | 61,836 | 49,431 | 42,612 |
| Income (loss) from discontinued operations, net of tax | (86) | 16 | (28) |
| Net income including noncontrolling interest | \$ 61,750 | \$ 49,447 | \$ 42,584 |
| Net income attributable to noncontrolling interests | — | (132) | (265) |
| Net income attributable to PriceSmart | \$ 61,750 | \$ 49,315 | \$ 42,319 |
| Net income per share attributable to PriceSmart and available for distribution: | | | |
| Basic net income per share from continuing operations | \$ 2.07 | \$ 1.66 | \$ 1.43 |
| | — | \$ — | \$ — |

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| | | | | | | |
|--|----|--------|----|--------|----|--------|
| Basic net income per share from discontinued operations, net of tax | | | | | | |
| Basic net income per share | \$ | 2.07 | \$ | 1.66 | \$ | 1.43 |
| Diluted net income per share from continuing operations | | | | | | |
| Diluted net income per share from continuing operations | \$ | 2.07 | \$ | 1.65 | \$ | 1.43 |
| Diluted net income per share from discontinued operations, net of tax | | | | | | |
| Diluted net income per share from discontinued operations, net of tax | \$ | — | \$ | — | \$ | — |
| Diluted net income per share | \$ | 2.07 | \$ | 1.65 | \$ | 1.43 |
| Shares used in per share computations: | | | | | | |
| Basic | | 29,441 | | 29,254 | | 28,959 |
| Diluted | | 29,450 | | 29,279 | | 29,057 |
| Dividends per share | \$ | 0.60 | \$ | 0.50 | \$ | 0.50 |

See accompanying notes.

PRICESMART, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED AUGUST 31, 2011
(amounts in thousands)

| | Common Shares | Additional Paid-in Capital | Tax benefit from stock- based compen- sation | Accum- ulated other compre- hensive loss | Retained Earnings (Accum- ulated deficit) | Treasury Shares | Stock Amount | Total PriceSmart Stock- holders' Equity | Non- Controlling Interest | Total Equity |
|---|------------------|----------------------------------|--|---|---|--------------------|-----------------|--|---------------------------------|-----------------|
| Balance at August 31, 2008 | 30,196 | \$3 \$373,192 | \$4,563 | \$(12,897) | \$(77,510) | 580 | \$(12,845) | \$274,506 | \$480 | \$274,986 |
| Purchase of treasury stock | — | — | — | — | — | 69 | (1,128) | (1,128) | — | (1,128) |
| Issuance of restricted stock award | 88 | — | — | — | — | — | — | — | — | — |
| Forfeiture of restricted stock awards | (33) | — | — | — | — | — | — | — | — | — |
| Exercise of stock options | 86 | — 559 | — | — | — | — | — | 559 | — | 559 |
| Stock-based compensation | — | — 3,298 | (16) | — | — | — | — | 3,282 | — | 3,282 |
| Common stock subject to put agreement | — | — 161 | — | — | — | — | — | 161 | — | 161 |
| Purchase of treasury stock for PSC settlement | — | — | — | — | — | 7 | (161) | (161) | — | (161) |
| Dividend paid to stockholders | — | — | — | — | (14,807) | — | — | (14,807) | — | (14,807) |
| Change in fair value of interest rate swaps, net of tax | — | — | — | (456) | — | — | — | (456) | — | (456) |
| Net income | — | — | — | — | 42,319 | — | — | 42,319 | 265 | 42,584 |
| Translation adjustment | — | — | — | (3,877) | — | — | — | (3,877) | 25 | (3,852) |
| Comprehensive income | — | — | — | — | — | — | — | 37,986 | 290 | 38,276 |
| Balance at August 31, | 30,337 | \$3 \$377,210 | \$4,547 | \$(17,230) | \$(49,998) | 656 | \$(14,134) | \$300,398 | \$770 | \$301,168 |

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2009

| | | | | | | | | | | | |
|---|--------|-----|-----------|---------|------------|------------|-----|------------|-----------|-------|-----------|
| Purchase of treasury stock | — | — | — | — | — | — | 71 | (1,434) | (1,434) | — | (1,434) |
| Issuance of restricted stock award | 152 | — | — | — | — | — | — | — | — | — | — |
| Forfeiture of restricted stock awards | (5) | — | — | — | — | — | — | — | — | — | — |
| Exercise of stock options | 141 | — | 873 | — | — | — | — | — | 873 | — | 873 |
| Stock-based compensation | — | — | 3,778 | (57) | — | — | — | — | 3,721 | — | 3,721 |
| Dividend paid to stockholders | — | — | — | — | — | (14,895) | — | — | (14,895) | — | (14,895) |
| Stockholder contribution | — | — | 396 | — | — | — | — | — | 396 | — | 396 |
| Acquisition of 5% noncontrolling interest | — | — | (2,914) | — | — | — | — | — | (2,914) | (886) | (3,800) |
| Change in fair value of interest rate swaps, net of tax | — | — | — | — | (112) | — | — | — | (112) | — | (112) |
| Net income | — | — | — | — | — | 49,315 | — | — | 49,315 | 132 | 49,447 |
| Translation adjustment | — | — | 25 | — | 670 | — | — | — | 695 | (16) | 679 |
| Comprehensive income | — | — | — | — | — | — | — | — | 49,898 | 116 | 50,014 |
| Balance at August 31, 2010 | 30,625 | \$3 | \$379,368 | \$4,490 | \$(16,672) | \$(15,578) | 727 | \$(15,568) | \$336,043 | \$— | \$336,043 |
| Purchase of treasury stock | — | — | — | — | — | — | 69 | (2,711) | (2,711) | — | (2,711) |
| Issuance of restricted stock award | 71 | — | — | — | — | — | — | — | — | — | — |
| Forfeiture of restricted stock awards | (6) | — | — | — | — | — | — | — | — | — | — |
| Exercise of stock options | 6 | — | 144 | — | — | — | — | — | 144 | — | 144 |
| Stock-based compensation | — | — | 4,037 | 752 | — | — | — | — | 4,789 | — | 4,789 |
| Dividend paid to stockholders | — | — | — | — | — | (17,934) | — | — | (17,934) | — | (17,934) |
| Change in fair value of interest rate | — | — | — | — | (172) | — | — | — | (172) | — | (172) |

swaps, net of
tax

| | | | | | | | | | | | |
|---|--------|-----|-----------|---------|------------|----------|-----|------------|-----------|-----|-----------|
| Unrealized expense on defined benefit plan, net of tax | — | — | — | — | (273) | — | — | — | (273) | — | (273) |
| Net income | — | — | — | — | — | 61,750 | — | — | 61,750 | — | 61,750 |
| Translation adjustment | — | — | — | — | (5,798) | — | — | — | (5,798) | — | (5,798) |
| Comprehensive income | — | — | — | — | — | — | — | — | 55,507 | — | 55,507 |
| Balance at August 31, 2011 | 30,696 | \$3 | \$383,549 | \$5,242 | \$(22,915) | \$28,238 | 796 | \$(18,279) | \$375,838 | \$— | \$375,838 |

See accompanying notes.

PRICESMART, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)

| | Years Ended August 31, | | |
|--|------------------------|-----------|-----------|
| | 2011 | 2010 | 2009 |
| Operating Activities: | | | |
| Net income | \$ 61,750 | \$ 49,447 | \$ 42,584 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 21,154 | 15,260 | 13,898 |
| Allowance for doubtful accounts | (10) | 5 | (1) |
| Asset impairment and closure costs | — | 18 | 74 |
| Gain on Guatemala Plaza lease buyout | — | — | (651) |
| Cash paid for Guatemala Plaza lease buyout | — | — | (3,100) |
| Loss on sale of property and equipment | 486 | 504 | 509 |
| Gain on sale of excess real estate in Panama | (1,249) | — | — |
| Release of cash from escrow account due to settlement of litigation | — | — | 256 |
| Deferred income taxes | 642 | 3,562 | (1,805) |
| Discontinued operations | 86 | (16) | 28 |
| Excess tax (benefit) deficiency on stock-based compensation | (752) | 57 | 16 |
| Equity in losses of unconsolidated affiliates | 52 | 22 | 21 |
| Stock-based compensation | 4,037 | 3,778 | 3,298 |
| Change in operating assets and liabilities: | | | |
| Change in receivables, prepaid expenses and other current assets, accrued salaries and benefits, deferred membership income and other accruals | (3,657) | 2,718 | (3,422) |
| Merchandise inventories | (46,043) | (15,349) | (1,947) |
| Accounts payable | 39,030 | 22,989 | 5,293 |
| Net cash provided by (used in) continuing operating activities | 75,526 | 82,995 | 55,051 |
| Net cash provided by (used in) discontinued operating activities | 73 | 34 | 307 |
| Net cash provided by (used in) operating activities | 75,599 | 83,029 | 55,358 |
| Investing Activities: | | | |
| Additions to property and equipment | (47,033) | (50,207) | (49,347) |
| Proceeds from disposal of property and equipment | 182 | 282 | 181 |
| Proceeds on sale of excess real estate in Panama | 7,406 | — | — |
| Collection of note receivable from sale of closed warehouse club in the Dominican Republic | — | — | 2,104 |
| Purchase of 5% Trinidad noncontrolling interest | — | (3,800) | — |
| Purchase of interest in Costa Rica joint venture | — | — | (2,637) |
| Capital contribution to Costa Rica joint venture | — | — | (377) |
| Purchase of interest in Panama joint venture | — | — | (4,616) |
| Capital contribution to Panama joint venture | — | (433) | (50) |
| | (39,445) | (54,158) | (54,742) |

| | | | |
|--|-----------|-----------|-----------|
| Net cash provided by (used in) continuing investing activities | | | |
| Net cash provided by (used in) provided by discontinued investing activities | — | — | (9) |
| Net cash flows provided by (used in) investing activities | (39,445) | (54,158) | (54,751) |
| Financing Activities: | | | |
| Proceeds from bank borrowings | 45,261 | 44,904 | 40,119 |
| Repayment of bank borrowings | (39,232) | (24,922) | (23,926) |
| Cash dividend payments | (17,934) | (14,895) | (19,551) |
| Release of (addition to) restricted cash | (16,920) | (6,000) | — |
| Stockholder contribution | — | 396 | — |
| Excess tax (deficiency) benefit on stock-based compensation | 752 | (57) | (16) |
| Purchase of treasury stock - excluding PSC settlement | (2,711) | (1,434) | (1,128) |
| Purchase of treasury stock- PSC settlement | — | — | (161) |
| Proceeds from exercise of stock options | 144 | 873 | 559 |
| Net cash provided by (used in) financing activities | (30,640) | (1,135) | (4,104) |
| Effect of exchange rate changes on cash and cash equivalents | (2,043) | 1,417 | (431) |
| Net increase (decrease) in cash and cash equivalents | 3,471 | 29,153 | (3,928) |
| Cash and cash equivalents at beginning of year | 73,346 | 44,193 | 48,121 |
| Cash and cash equivalents at end of year | \$ 76,817 | \$ 73,346 | \$ 44,193 |

PRICESMART, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)
(amounts in thousands)

| | 2011 | Years Ended August 31, 2010 | 2009 |
|---|-----------|--------------------------------|-----------|
| Supplemental disclosure of cash flow information: | | | |
| Cash paid during the period for: | | | |
| Interest, net of amounts capitalized | \$ 3,686 | \$ 2,613 | \$ 1,579 |
| Income taxes | \$ 22,389 | \$ 19,309 | \$ 13,009 |

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – COMPANY OVERVIEW AND BASIS OF PRESENTATION

PriceSmart, Inc.'s ("PriceSmart" or the "Company") business consists primarily of international membership shopping warehouse clubs similar to, but smaller in size than, warehouse clubs in the United States. As of August 31, 2011, the Company had 29 consolidated warehouse clubs in operation in 12 countries and one U.S. territory (five in Costa Rica, four each in Panama and Trinidad, three each in Guatemala and in the Dominican Republic, two each in El Salvador and Honduras and one each in Colombia, Aruba, Barbados, Jamaica, Nicaragua and the United States Virgin Islands), of which the Company owns 100% of the corresponding legal entities (see Note 2 - Summary of Significant Accounting Policies). The Company constructed a new warehouse club on the 322,920 square foot site in Santo Domingo, Dominican Republic ("Arroyo Hondo") which was acquired in December 2009. The Company opened this new warehouse club on November 5, 2010. It is the Company's second warehouse club in Santo Domingo and the third in the Dominican Republic. In November 2010, the Company through its Colombian subsidiary acquired approximately 210,000 square feet of land in Barranquilla, Colombia for approximately 12.1 billion Colombian Pesos (the equivalent of approximately U.S. \$6.5 million as of the acquisition date). The Company constructed a new membership warehouse club on this site that opened on August 19, 2011. During May 2011, the Company entered into an agreement to acquire land in north Cali, Colombia, which is currently subject to the fulfillment of certain conditions prior to March, 2012. In the event the conditions are timely fulfilled, the Company plans to acquire the site to construct and operate upon it a new warehouse club. During July 2011, the Company also entered into an agreement to acquire land in south Cali, Colombia, which is currently subject to the fulfillment of certain conditions prior to January, 2012. In the event the conditions are timely fulfilled, the Company plans to also acquire this site to construct and operate upon it an additional new warehouse club. While it is currently unknown whether the north Cali conditions will be met in a timely manner, the Company currently anticipates that the south Cali site will be acquired by the Company in December 2011 and that a new warehouse club will open on that site in late calendar 2012. The Company continues to explore other potential sites for future warehouse clubs in other major cities in Colombia. The initial warehouse club sales and membership sign-ups experienced with the opening of the Barranquilla warehouse club has reinforced the Company's belief that Colombia could be a market for multiple PriceSmart warehouse clubs. In addition to the warehouse clubs operated directly by the Company, there was one facility in operation in Saipan, Micronesia licensed to and operated by local business people, from which the Company earned a small royalty fee until this agreement was terminated in August 2011. The Company primarily operates in three segments based on geographic area.

Basis of Presentation - The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles. The consolidated financial statements include the accounts of PriceSmart, Inc., a Delaware corporation, and its subsidiaries. Intercompany transactions between the Company and its subsidiaries have been eliminated in consolidation.

In February 2010, the Financial Accounting Standards Board ("FASB") issued revised guidance establishing general accounting standards and disclosure of subsequent events. The Company, in accordance with this guidance, evaluated subsequent events through the date and time these financial statements were issued.

Reclassifications and prior period adjustments- The Company identified errors in the consolidated financial statements for the fiscal years ended August 31, 2009 and 2010 and for fiscal years previous to 2009. The

errors relate to incorrect (i) translation of depreciation expense from foreign currencies to U.S. dollars and the related translation of foreign currencies to U.S. dollars for accumulated depreciation; and (ii) the Company's reconciliation of net deferred tax assets related to net operating and capital loss carry-forwards to its tax returns. The correction of the depreciation expense would have increased selling, general and administrative expenses: warehouse club operations in fiscal years 2009 and 2010 by approximately \$406,000 and \$431,000, respectively. The total of these corrections, which was recorded in fiscal year 2011 as a charge to selling, general and administrative: warehouse club operations was approximately \$2.3 million. During fiscal year 2011, the Company also reclassified the balance sheet presentation at August 31, 2011, which increased accumulated depreciation by approximately \$4.9 million and accumulated other comprehensive loss by the same amount. Separately, the Company identified an error in its reconciliation of net deferred tax assets related to net operating and capital loss carry-forwards to its tax returns. This correction decreased the tax expense for the fiscal year ended August 31, 2009 by approximately \$485,000. The impact of this correction, recorded to provision for income taxes during fiscal year 2011 was a decrease to tax expense of approximately \$3.1 million. The Company has analyzed the impact of these two items and concluded that neither error would be material to any individual period, taking into account the requirements of the Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements in the Current Year Financial Statements ("SAB 108"). In accordance, with the relevant guidance, management evaluated the materiality of errors from a quantitative and qualitative perspective. Based on such evaluation, the Company concluded that correcting the cumulative errors, which increased net income by approximately \$800,000 for the twelve months ended August 31, 2011, is immaterial to fiscal year 2011 results and had no effect on the trend of financial results. As provided by SAB 108, the error correction will not require the restatement of the consolidated financial statements for prior periods, and the correction is permitted to be made in the consolidated financial statements for the period ended August 31, 2011.

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The consolidated financial statements of the Company included herein include the assets, liabilities and results of operations of the Company's wholly-owned subsidiaries and the investments and operating results of joint ventures recorded under the equity method as listed below. All significant intercompany accounts and transactions have been eliminated in consolidation. The table below shows the Company's percentage ownership of, and basis of presentation for, each subsidiary as of August 31, 2011.

| Subsidiary | Countries | Ownership | Basis of Presentation |
|---------------------------------|---------------------|-----------|-----------------------|
| PriceSmart, Aruba | Aruba | 100.0% | Consolidated |
| PriceSmart, Barbados | Barbados | 100.0% | Consolidated |
| PriceSmart, Colombia | Colombia | 100.0% | Consolidated |
| PSMT Caribe, Inc.: | | | |
| Costa Rica | Costa Rica | 100.0% | Consolidated |
| Dominican Republic | Dominican Republic | 100.0% | Consolidated |
| El Salvador | El Salvador | 100.0% | Consolidated |
| Honduras | Honduras | 100.0% | Consolidated |
| PriceSmart, Guam | Guam | 100.0% | Consolidated(1) |
| PriceSmart, Guatemala | Guatemala | 100.0% | Consolidated |
| PriceSmart Holdings, Inc. | St. Lucia | 100.0% | Consolidated(2) |
| PriceSmart, Jamaica | Jamaica | 100.0% | Consolidated |
| PriceSmart, Nicaragua | Nicaragua | 100.0% | Consolidated |
| PriceSmart, Panama | Panama | 100.0% | Consolidated |
| PriceSmart Exempt SRL | Barbados | 100.0% | Consolidated(2) |
| PriceSmart, Trinidad | St. Lucia/Trinidad | 100.0% | Consolidated(3) |
| PriceSmart, U.S. Virgin Islands | U.S. Virgin Islands | 100.0% | Consolidated |
| GolfPark Plaza, S.A. | Panama | 50.0% | Equity(4) |
| Price Plaza Alajuela PPA, S.A. | Costa Rica | 50.0% | Equity(4) |
| Newco2 | Costa Rica | 50.0% | Equity(4)(5) |

- (1) Entity is treated as discontinued operations in the consolidated financial statements.
- (2) These companies act as investment and holding companies for the Company's subsidiaries in Trinidad and Jamaica.
- (3) The Company acquired the remaining 5% ownership in May 2010. (See Note 15 – Acquisition of Noncontrolling Interest).
- (4) Purchases of joint venture interests during the first quarter of fiscal year 2009 are recorded as investment in unconsolidated affiliates on the consolidated balance sheets.
- (5) On September 29, 2011, the Company exercised its option to cancel its participation in this joint venture. (See Note 19 – Subsequent Events).

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Variable Interest Entities – The Company reviews and determines at the start of each arrangement, or subsequently if a reconsideration event occurs, whether any of its investments in joint ventures are a Variable Interest Entity (“VIE”) and whether it must consolidate a VIE and/or disclose information about its involvement in a VIE. The Company has determined that the joint ventures for GolfPark Plaza, Price Plaza Alajuela and Newco2 are VIEs. The Company has determined that it is not the primary beneficiary of the VIEs and, therefore, has accounted for these entities under the equity method.

Cash and Cash Equivalents – Cash and cash equivalents represent cash and short-term investments with maturities of three months or less when purchased.

Restricted Cash – As of August 31, 2011, the Company had short-term restricted cash of approximately \$1.2 million. This primarily consisted of the current portion of a certificate of deposit maintained by the Company’s Honduras subsidiary with Banco Del Pais related to a loan agreement entered into by the subsidiary with Banco del Pais. The Company had long-term restricted cash as of August 31, 2011 of approximately \$22.6 million. This consisted primarily of certificates of deposit held for \$8.0 million with Citibank and \$10.0 million held with Scotiabank related to loans in Colombia. In addition the Company has a certificate of deposit for approximately \$3.7 million with Banco del Pais, related to loans in Honduras. The Company has deposits of approximately \$896,000 made directly with federal regulatory agencies and within banking institutions in compliance with federal regulatory requirements in Costa Rica and Panama.

Merchandise Inventories – Merchandise inventories, which include merchandise for resale, are valued at the lower of cost (average cost) or market. The Company provides for estimated inventory losses and obsolescence between physical inventory counts on the basis of a percentage of sales. The provision is adjusted periodically to reflect the trend of actual physical inventory count results, with physical inventories occurring primarily in the second and fourth fiscal quarters. In addition, the Company may be required to take markdowns below the carrying cost of certain inventory to expedite the sale of such merchandise.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Allowance for Doubtful Accounts – The Company generally does not extend credit to its members, but may do so for specific wholesale, government, other large volume members and for tenants. The Company maintains an allowance for doubtful accounts based on assessments as to the probability of collection of specific customer accounts, the aging of accounts receivable, and general economic conditions.

Acquisition of Business – The Company’s business combinations, whereby the Company acquires control of one or more businesses, are accounted for under the acquisition method of accounting and include the results of operations of the acquired business from the date of acquisition. Net assets of the acquired business are recorded at their fair value at the date of the acquisition. Any excess of the purchase price over the fair value of tangible and identified intangible net assets acquired is included in goodwill in the accompanying consolidated balance sheets.

Changes in the Company’s ownership interest in subsidiaries where the Company retains controlling financial interest in the subsidiary are accounted for as an equity transaction. No gain or loss is recognized in consolidated net income or comprehensive income. The carrying amount of the noncontrolling interest is adjusted to reflect the change in the Company’s ownership interest in the subsidiary. Any difference between the fair value of the consideration received or paid and the book value of the noncontrolling interest is recognized in equity attributable to the parent.

Lease Accounting – Certain of the Company's operating leases where the Company is the lessee (see Revenue Recognition Policy for lessor accounting), provide for minimum annual payments that increase over the life of the lease. The aggregate minimum annual payments are expensed on the straight-line basis beginning when the Company takes possession of the property and extending over the term of the related lease including renewal options when the exercise of the option is reasonably assured as an economic penalty may be incurred if the option is not exercised. The amount by which straight-line rent exceeds actual lease payment requirements in the early years of the leases is accrued as deferred rent and reduced in later years when the actual cash payment requirements exceed the straight-line expense. The Company also accounts in its straight-line computation for the effect of any “rental holidays” and lessor-paid tenant improvements. In addition to the minimum annual payments, in certain locations, the Company pays additional contingent rent based on a contractually stipulated percentage of sales.

Fair Value Measurements – The Company measures the fair value for all financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring or nonrecurring basis.

The fair value of an asset is the price at which the asset could be sold in an orderly transaction between unrelated, knowledgeable and willing parties able to engage in the transaction. A liability’s fair value is defined as the amount that would be paid to transfer the liability to a new obligor in a transaction between such parties, not the amount that would be paid to settle the liability with the creditor.

The Company has established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring and revaluing fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The Company was not required to revalue any assets or liabilities utilizing Level 1 or Level 3 inputs at the balance sheet dates. The Company's Level 2 assets and liabilities revalued at the balance sheet dates primarily included cash flow hedges (interest rate swaps and cross-currency interest rate swaps). In addition, the

Company utilizes Level 2 inputs in determining the fair value of long term debt. The Company did not revalue long term debt. The Company did not make any significant transfers in and out of Level 1 and Level 2 fair value tiers during the periods reported on herein.

The disclosure of fair value of certain financial assets and liabilities recorded at cost is as follows:

Cash and cash equivalents: The carrying value approximates fair value due to the short maturity of these instruments.

Accounts receivable: The carrying value approximates fair value due to the short maturity of these accounts.

Short-term debt: The carrying value approximates fair value due to the short maturity of these instruments.

Long-term debt: The fair value of debt is generally measured using a discounted cash flow analysis based on current market interest rates for similar types of financial instruments. The carrying value and fair value of the Company's debt as of August 31, 2011 and 2010 is as follows:

| | 2011 | | August 31, 2010 | |
|--|-------------------|---------------|--------------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Long term debt, including current portion | \$ 68,222 | \$ 70,982 | \$ 60,720 | \$ 63,752 |

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Additionally, the Company measures the fair value for interest rate swaps and cross currency interest rate swaps on a recurring basis. The nonfinancial assets and liabilities are recognized at fair value subsequent to initial recognition when there is evidence of impairment.

Valuation techniques utilized in the fair value measurement of assets and liabilities presented on the Company's consolidated balance sheets were not changed from previous practice during the reporting period. The Company discloses the valuation techniques and any change in method of such within the body of each footnote.

The following table summarizes financial assets and liabilities measured and recorded at fair value on a recurring basis in the Company's consolidated balance sheet as of August 31, 2011 (in thousands):

| Assets and Liabilities: | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|--|---|---|--|--------------|
| Other accrued expenses – (Interest rate swaps) | \$— | \$544 | \$ — | \$544 |
| Other accrued expenses – (Cross-currency interest rate swap) | — | 340 | — | 340 |
| Total | \$— | \$884 | \$ — | \$884 |

The fair value of derivatives is disclosed in further detail in Note 14 - Derivative Instruments and Hedging Activities.

As of August 31, 2011 and August 31, 2010, the Company had no significant measurements of financial assets or liabilities at fair value on a nonrecurring basis.

Goodwill – Goodwill resulting from certain business combinations totaled \$37.4 million as of August 31, 2011 and \$37.5 million as of August 31, 2010. Foreign exchange translation gains and losses related to goodwill of approximately \$100,000 between fiscal year 2011 and 2010 resulted in the decrease of goodwill. The Company reviews previously reported goodwill at the entity level for impairment if there has been a significant change in the reporting unit's assets and liabilities since the most recent evaluation, if the reporting unit's most recent fair value determination resulted in an amount that exceeded its carrying amount by a substantial margin or if the likelihood that a current fair value determination would be more likely than not to show that the current fair value of the unit is less than the carrying amount of the reporting unit.

Derivative Instruments and Hedging Activities – Derivative instruments and hedging activities consist of interest rate swaps. Interest rate swaps are accounted for as cash flow hedges. Under cash flow hedging, the effective portion of the fair value of the derivative, calculated as the net present value of the future cash flows, is deferred on the consolidated balance sheets in accumulated other comprehensive loss. If any portion of an interest rate swap is

determined to be an ineffective hedge, the gains or losses from changes in fair value would be recorded directly in the consolidated statements of income. Amounts recorded in accumulated other comprehensive loss are released to earnings in the same period that the hedged transaction impacts consolidated earnings. (See Note 14 – Derivative Instruments and Hedging Activities.)

Components of Equity Attributable to PriceSmart and Noncontrolling Interests – The Company reports its noncontrolling interests in consolidated subsidiaries as a component of equity separate from the Company’s equity. The other comprehensive loss due to foreign currency translation adjustments, related to the noncontrolling interests investment in consolidated subsidiaries and the translation of the financial statements of those consolidated subsidiaries, is reported within noncontrolling interests, separate from the amount attributable to the Company.

Revenue Recognition – The Company recognizes merchandise sales revenue when title passes to the customer. Membership income represents annual membership fees paid by the Company’s warehouse club members, which are recognized ratably over the 12-month term of the membership. Membership refunds are prorated over the remaining term of the membership; accordingly, no refund reserve is required to be established for the periods presented. The Company recognizes and presents revenue-producing transactions on a net of tax basis. The Company recognizes gift certificates sales revenue when the certificates are redeemed. The outstanding gift certificates are reflected as "Other accrued expenses" in the consolidated balance sheets. These gift certificates generally have a one-year stated expiration date from the date of issuance. The Company periodically reviews unredeemed outstanding gift certificates, and the gift certificates that have expired are recognized as “Revenues: Other Income” on the consolidated statements of income. Operating leases, where the Company is the lessor, with lease payments that have fixed and determinable rent increases are recognized as revenue on a straight-line basis over the lease term. The Company also accounts in its straight-line computation for the effect of any "rental holidays." Contingent rental revenue is recognized as the contingent rent becomes due per the individual lease agreements.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Cost of Goods Sold – The Company includes the cost of merchandise, food service and bakery raw materials, and one hour photo supplies in cost of goods sold. The Company also includes the external and internal distribution and handling costs for supplying such merchandise, raw materials and supplies to the warehouse clubs. External costs include inbound freight, duties, drayage, fees, insurance, and non-recoverable value-added tax related to inventory shrink, spoilage and damage. Internal costs include payroll and related costs, utilities, consumable supplies, repair and maintenance, rent expense, and building and equipment depreciation at its distribution facilities.

Vendor consideration consists primarily of volume rebates, time limited product promotions and prompt payment discounts. Volume rebates are generally linked to pre-established purchase levels and are recorded as a reduction of cost of goods sold when the achievement of these levels is confirmed by the vendor in writing or upon receipt of funds, whichever is earlier. On a quarterly basis, the Company calculates the amount of rebates recorded in cost of goods sold that relates to inventory on hand and this amount is reclassified as a reduction to inventory, if significant. Product promotions are generally linked to coupons that provide for reimbursement to the Company from vendor rebates for the product being promoted. The Company records the reduction in cost of goods sold on a transactional basis for these programs. Prompt payment discounts are taken in substantially all cases, and therefore, are applied directly to reduce the acquisition cost of the related inventory, with the resulting effect recorded to cost of goods sold when the inventory is sold.

Selling, General and Administrative – Selling, general and administrative costs are comprised primarily of expenses associated with warehouse operations. Warehouse operations include the operating costs of the Company's warehouse clubs, including all payroll and related costs, utilities, consumable supplies, repair and maintenance, rent expense, building and equipment depreciation, and bank and credit card processing fees. Also included in selling, general and administrative expenses are the payroll and related costs for the Company's U.S. and regional purchasing and management centers.

Pre-Opening Costs – The Company expenses pre-opening costs (the costs of start-up activities, including organization costs and rent) as incurred.

Asset Impairment Costs – The Company periodically evaluates its long-lived assets for indicators of impairment. Management's judgments are based on market and operational conditions at the time of the evaluation and can include management's best estimate of future business activity. These periodic evaluations could cause management to conclude that impairment factors exist, requiring an adjustment of these assets to their then-current fair value. Future business conditions and/or activity could differ materially from the projections made by management causing the need for additional impairment charges.

Closure Costs – The Company records the costs of closing warehouse clubs as follows: severance costs that are determined to be an arrangement for one-time employee termination benefits are accrued at the date the plan of termination has received management authority and approval, the plan identifies the number of employees, job classification, functions, locations and expected completion dates, the plan establishes the terms of the severance, and management has deemed it unlikely that significant changes to the plan will be made. In addition, the plan must have been communicated to employees (referred to as the communication date). Lease obligations are accrued at the cease use date by calculating the net present value of the minimum lease payments net of the fair value of rental income that is expected to be received for these properties from third parties. Gain or loss on the sale of property, buildings and equipment is recognized based on the cash or net present value of future cash to be received as compensation upon

consummation of the sale. All other costs are expensed as incurred.

Contingencies and Litigation – The Company accounts and reports for loss contingencies if (a) information available prior to issuance of the consolidated financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the consolidated financial statements and (b) the amount of loss can be reasonably estimated.

Foreign Currency Translation – The assets and liabilities of the Company’s foreign operations are primarily translated to U.S. dollars when the functional currency in its international subsidiaries is not U.S. dollars. Assets and liabilities of these foreign subsidiaries are translated to U.S. dollars at the exchange rate on the balance sheet date, and revenue, costs and expenses are translated at average rates of exchange in effect during the period. The corresponding translation gains and losses are recorded as a component of accumulated other comprehensive income or loss. These adjustments will affect net income upon the sale or liquidation of the underlying investment.

Monetary assets and liabilities in currencies other than the functional currency of the respective entity are revalued to the functional currency using the exchange rate on the balance sheet date. Foreign exchange transaction gains (losses), including repatriation of funds, which are included as part of the costs of goods sold and other income (expense) in the consolidated statements of income, for fiscal years 2011, 2010 and 2009 were approximately \$2.5 million, \$1.5 million and (\$1.4 million), respectively.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Income Taxes – The Company adopted authoritative guidance related to uncertain tax positions, which clarified the accounting for uncertainty in income taxes recognized in financial statements. This guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company and its subsidiaries are required to file federal and state income tax returns in the United States and various other tax returns in foreign jurisdictions. The preparation of these tax returns requires the Company to interpret the applicable tax laws and regulations in effect in such jurisdictions, which could affect the amount of tax paid by the Company. The Company, in consultation with its tax advisors, bases its tax returns on interpretations that are believed to be reasonable under the circumstances. The tax returns, however, are subject to routine reviews by the various federal, state and foreign taxing authorities in the jurisdictions in which the Company or one of its subsidiaries file tax returns. As part of these reviews, a taxing authority may disagree with respect to the income tax positions taken by the Company (“uncertain tax positions”) and, therefore, require the Company or one of its subsidiaries to pay additional taxes. As required under applicable accounting rules, the Company accrues an amount for its estimate of additional income tax liability, including interest and penalties, which the Company could incur as a result of the ultimate or effective resolution of the uncertain tax positions. The Company reviews and updates the accrual for uncertain tax positions as more definitive information becomes available from taxing authorities, upon completion of tax audits, upon expiration of statutes of limitation, or upon occurrence of other events.

The Company accounts for income taxes using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributed to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carry-forwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established when necessary to reduce deferred tax assets to amounts expected to be realized.

The Company accounts for uncertain income tax positions by accruing for the estimated additional amount of taxes for the uncertain tax positions when the uncertain tax position does not meet the more likely than not standard for sustaining the position. This requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items and the probability of sustaining uncertain tax positions. The benefits of uncertain tax positions are recorded in the Company’s consolidated financial statements only after determining a more-likely-than-not probability that the uncertain tax positions will withstand challenge, if any, from tax authorities. When facts and circumstances change, the Company reassess these probabilities and records any changes in the consolidated financial statements as appropriate. See Note 11 - Income Taxes for additional information. There were no material changes in the Company’s uncertain income tax positions for the fiscal year ending August 31, 2011 and 2010.

Recent Accounting Pronouncements

FASB ASC 350

In September 2011, the FASB issued guidance regarding assessing whether it is necessary to perform goodwill impairment tests on a recurring basis. The guidance permits an entity to first assess qualitative factors to determine whether it is “more likely than not” that the fair market value of a reporting unit is less than its carrying amounts as a

basis for determining whether it is necessary to perform the goodwill impairment test. The amended guidance is effective for annual and interim periods beginning after December 15, 2011, with early adoption permitted, including annual and interim goodwill impairment tests performed as of dates before September 15, 2011, if an entity's financial statements for the most recent annual or interim period have not yet been issued. The Company has adopted this guidance as of August 31, 2011. Adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

FASB ASC 220

In June 2011, the FASB issued guidance to amend the presentation of comprehensive income to allow an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amended guidance is effective for annual and interim periods within those years beginning after December 15, 2011, and is to be applied retrospectively. The Company will adopt this guidance at the beginning of its first quarter of fiscal year 2013. Adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

FASB ASC 820

In May 2011, the FASB issued guidance to amend the requirements related to fair value measurement which changes the wording used to describe many requirements in GAAP for measuring fair value and for disclosing information about fair value measurements. Additionally, the amendments clarify the FASB's intent about the application of existing fair value measurement requirements. The amended guidance is effective for interim and annual periods beginning after December 15, 2011, and is applied prospectively. The Company will adopt this guidance at the beginning of its first quarter of fiscal year 2013. Adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

FASB ASC 310

In February 2011, the FASB temporarily delayed the effective date of amended guidance regarding disclosures about troubled debt, the credit quality of financing receivables and the allowance for credit losses. This amended guidance is intended to provide additional information to assist financial statement users in assessing an entity's credit risk exposures and evaluating the adequacy of its allowance for credit losses by providing disclosures that facilitate financial statement users' evaluation of the nature of credit risk inherent in the entity's portfolio of financing receivables, how that risk is analyzed and assessed in arriving at the allowance for credit losses, and the changes and reasons for those changes in the allowance for credit losses. The new effective date of this amended guidance requires the Company to adopt this amended guidance on the disclosures for interim and annual periods ending after June 15, 2011. The adoption of this guidance in the fourth quarter of fiscal year 2011 on disclosures did not have an impact on the Company's consolidated financial statements or disclosures with regard to financing receivables.

FASB ASC 350

In December 2010, the FASB issued amended guidance concerning testing for impairment of goodwill where an entity has one or more reporting units whose carrying value is zero or negative. The amended guidance requires the entity to perform a test to measure the amount, if any, of impairment to goodwill by comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. The Company is required to adopt this amended guidance for fiscal years or interim periods beginning after December 15, 2011. The Company will adopt this guidance at the beginning of its third quarter of fiscal year 2012. The Company does not expect that adoption of the amended guidance will have an impact on the Company's consolidated financial statements or disclosures to those financial statements.

FASB ASC 805

In December 2010, the FASB issued amended guidance concerning disclosures of pro forma information for business combinations. The amended guidance requires that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. The amended guidance also expands the supplemental pro forma disclosures to include a description of and the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The Company is required to adopt this amended guidance for fiscal years or interim periods beginning after December 15, 2011. The Company will adopt this guidance at the beginning of its third quarter of fiscal year 2012. The Company does not expect that adoption of the amended guidance will have an impact on the Company's consolidated financial statements or disclosures to those financial statements.

NOTE 3 – DISCONTINUED OPERATIONS

In accordance with FASB guidance on accounting for the impairment or disposal of long-lived assets the accompanying consolidated financial statements reflect the results of operations and financial position of the Company's activities in the Philippines and Guam as discontinued operations. Following the closure of the Guam operations in December 2003, the Company included the results of operations from Guam in the asset impairment and closure costs line of the consolidated statements of income through May 2005. However, after the sale of the Philippine operations in August 2005, the results of the Philippines and Guam activities have been consolidated in the discontinued operations line of the consolidated statements of income. Management views these activities as one

activity managed under a shared management structure. Cash flow activities related to the Guam discontinued operations' leased property were terminated in August 2011, which was the end of the lease term.

The assets and liabilities of the discontinued operations are presented in the consolidated balance sheets under the captions "Assets of discontinued operations" and "Liabilities of discontinued operations." The underlying assets and liabilities of the discontinued operations for the periods presented are as follows (in thousands):

| | August 31, | |
|---|------------|--------|
| | 2011 | 2010 |
| Cash and cash equivalents | \$ 33 | \$ 41 |
| Accounts receivable, net | 430 | 219 |
| Prepaid expenses and other current assets | — | 39 |
| Other assets, non-current | 1 | 393 |
| Assets of discontinued operations | \$ 464 | \$ 692 |
| Other accrued expenses | \$ 40 | \$ 109 |
| Liabilities of discontinued operations | \$ 40 | \$ 109 |

The Company's former Guam operation had a deferred tax asset of \$2.6 million, primarily generated from NOLs. This deferred tax asset had a 100% valuation allowance, as the Company was not able utilize these losses. These losses are limited as to their future use due to the Company's Section 382 change of ownership in October 2004.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table sets forth the income (loss) from the discontinued operations of each period presented, in thousands.

| | Years Ended August 31, | | |
|--|------------------------|-------|---------|
| | 2011 | 2010 | 2009 |
| Net warehouse club sales | \$ — | \$ — | \$ — |
| Pre-tax income (loss) from discontinued operations | (44) | 16 | (28) |
| Income tax (provision) benefit | (42) | — | — |
| Income (loss) from discontinued operations | \$ (86) | \$ 16 | \$ (28) |

The pre-tax income (loss) from discontinued operations for fiscal years 2011, 2010 and 2009 is the net result of the subleasing activity in Guam.

NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment are stated at historical cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. The useful life of fixtures and equipment ranges from three to 15 years and that of buildings from ten to 25 years. Leasehold improvements are amortized over the shorter of the life of the improvement or the expected term of the lease. In some locations, leasehold improvements are amortized over a period longer than the initial lease term as management believes it is reasonably assured that the renewal option in the underlying lease will be exercised as an economic penalty may be incurred if the option is not exercised. The sale or purchase of property and equipment is recognized upon legal transfer of property. For property and equipment sales, if any long term notes are carried by the Company as part of the sales terms, the sale is reflected at the net present value of current and future cash streams.

Property and equipment consist of the following (in thousands):

| | August 31, | |
|---|------------|------------|
| | 2011 | 2010 |
| Land | \$ 84,912 | \$ 81,187 |
| Building and improvements | 192,245 | 171,828 |
| Fixtures and equipment | 89,239 | 88,090 |
| Construction in progress | 18,655 | 13,683 |
| Total property and equipment, historical cost | 385,051 | 354,788 |
| Less: accumulated depreciation | (103,940) | (89,244) |
| Property and equipment, net | \$ 281,111 | \$ 265,544 |

Depreciation and amortization expense (in thousands):

| | Twelve Months Ended | | |
|--|---------------------|------|------|
| | 2011 | 2010 | 2009 |

| | | | |
|---------------------------------------|-----------|-----------|-----------|
| Depreciation and amortization expense | \$ 21,154 | \$ 15,260 | \$ 13,898 |
|---------------------------------------|-----------|-----------|-----------|

The Company reclassified from accumulated other comprehensive loss, approximately \$4.9 million, increasing accumulated depreciation. In addition, the Company recorded approximately \$2.3 million in additional depreciation. These corrections are related to the translation of foreign currencies (see Note 1 - Company Overview and Basis of Presentation).

Summary of asset disposal activity for fiscal year 2011 (in thousands):

| Disposal Activity | Historical Cost | Accumulated Depreciation | 2011 Impairment and Other Costs | Proceeds from disposal | Gain/(Loss) recognized |
|-------------------------------------|-----------------|--------------------------|---------------------------------|------------------------|------------------------|
| Sale of property in Panama | \$ (8,717) | \$ 2,748 | \$ (188) | \$ 7,406 | \$ 1,249 |
| Disposal of assets no longer in use | (9,248) | 8,046 | 534 | 182 | (486) |
| | \$ (17,965) | \$ 10,794 | \$ 346 | \$ 7,588 | \$ 763 |

The Company capitalized during fiscal year 2011 approximately \$876,000 in interest expense. The total interest capitalized at the end of fiscal year 2011 and 2010 was \$4.3 million and \$3.5 million, respectively.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

On April 9, 2010, the Company relocated one of its three warehouse clubs in Panama City, Panama ("Los Pueblos") to the recently completed new warehouse club ("Brisas"). The Company leased the Los Pueblos site to Juan Diaz Properties, S.A./ Ace International Hardware Corporation ("ACE") under a lease agreement with an option to purchase. ACE exercised its option to purchase the property and on March 23, 2011 the Company's Panama subsidiary entered into a land sale agreement with ACE. The sales price of the property was approximately \$5.3 million.

On March 23, 2011, the Company's Panama subsidiary entered into a land sale agreement with OD Panama S.A. (an affiliate of Office Depot, Mexico) for the sale of approximately 28,322 square feet of undeveloped land located adjacent to the Panama, Via Brasil location for approximately \$2.1 million. Gonzalo Barrutieta, who has served as a member of the Company's board of directors since February 2008, is a board member of Office Depot, Mexico.

NOTE 5 – EARNINGS PER SHARE

The Company presents basic and diluted Income Per Share ("EPS") using the two class method. The two-class method is an earnings allocation formula that treats a participating security as having rights to earnings that otherwise would have been available to common stockholders and that determines basic income per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings that would have been available to common stockholders. A participating security is defined as a security that may participate in undistributed earnings with common stock. The Company's capital structure includes securities that participate with common stock on a one for one basis for distribution of dividends. These are the restricted stock awards and restricted stock units authorized within the 1998, 2001 and 2002 Equity Participation Plans of the Company. In addition, the Company determines the diluted income per share by excluding the basic weighted average of stock options outstanding from the calculation of diluted net income per share.

The following table sets forth the computation of net income per share for the twelve months ended August 31, 2011, 2010 and 2009 (in thousands, except per share amounts):

| | 2011 | Years Ended August 31, | |
|---|-----------|------------------------|-----------|
| | | 2010 | 2009 |
| Net income from continuing operations attributable to PriceSmart | \$ 61,836 | \$ 49,299 | \$ 42,347 |
| Less: Earnings and dividends allocated to unvested stockholders | 952 | 870 | 914 |
| Less: Dividend distribution to common stockholders | 17,697 | 14,664 | 14,512 |
| Basic undistributed net earnings available to common stockholders from continuing operations attributable to PriceSmart | \$ 43,187 | \$ 33,765 | \$ 26,921 |
| Add: Net undistributed earnings allocated and reallocated to unvested stockholders (two-class | 17,697 | 14,664 | 14,514 |

| | | | |
|---|-----------|-----------|-----------|
| method) and dividend distribution | | | |
| Net earnings available to common stockholders from continuing operations attributable to PriceSmart | \$ 60,884 | \$ 48,429 | \$ 41,435 |
| Net earnings (loss) available to common stockholders from discontinued operations | \$ (86) | \$ 16 | \$ (28) |
| Basic weighted average shares outstanding | 29,441 | 29,254 | 28,959 |
| Add dilutive effect of stock options (two-class method) | 9 | 25 | 98 |
| Diluted average shares outstanding | 29,450 | 29,279 | 29,057 |
| Basic income per share from continuing operations attributable to PriceSmart | \$ 2.07 | \$ 1.66 | \$ 1.43 |
| Diluted income per share from continuing operations attributable to PriceSmart | \$ 2.07 | \$ 1.65 | \$ 1.43 |
| Basic income (loss) per share from discontinued operations | \$ 0.00 | \$ 0.00 | \$ 0.00 |
| Diluted income (loss) per share from discontinued operations | \$ 0.00 | \$ 0.00 | \$ 0.00 |

| | Years Ended August 31, | | |
|--|------------------------|-----------|-----------|
| | 2011 | 2010 | 2009 |
| Net income attributable to PriceSmart: | | | |
| Income from continuing operations | \$ 61,836 | \$ 49,299 | \$ 42,347 |
| Income (loss) from discontinued operations, net of tax | (86) | 16 | (28) |
| | \$ 61,750 | \$ 49,315 | \$ 42,319 |

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 6 – STOCKHOLDERS' EQUITY

Dividends

| Declared | Amount | First Payment | | | Second Payment | | |
|----------|---------|---------------|-----------|---------|----------------|-----------|---------|
| | | Record Date | Date Paid | Amount | Record Date | Date Paid | Amount |
| 1-19-11 | \$ 0.60 | 2-15-11 | 2-28-11 | \$ 0.30 | 8-15-11 | 8-31-11 | \$ 0.30 |
| 1-27-10 | 0.50 | 2-15-10 | 2-26-10 | 0.25 | 8-13-10 | 8-31-10 | 0.25 |
| 1-29-09 | 0.50 | 2-13-09 | 2-27-09 | 0.25 | 8-14-09 | 8-31-09 | 0.25 |

The Company anticipates the ongoing payment of semi-annual dividends in subsequent periods, although the actual declaration of future dividends, the amount of such dividends, and the establishment of record and payment dates is subject to final determination by the Board of Directors at its discretion after its review of the Company's financial performance and anticipated capital requirements.

Stockholder Contribution

No stockholder contributions were recorded for the fiscal year 2011.

In December 2009, Robert E. Price, the Company's Chairman of the Board, contributed approximately \$396,000 in capital to the Company to fund a special holiday bonus to PriceSmart's non-management employees in memory of the Company's founder, Sol Price.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss reported on the Company's consolidated balance sheets consists of foreign currency translation adjustments of approximately \$21.9 million and \$16.2 million and unrealized losses on interest rate swaps (net of tax) of approximately \$748,000 and \$576,000 as of August 31, 2011 and August 31, 2010, respectively, and unrealized expenses (net of tax) on defined benefit plan of \$273,000 for fiscal year 2011. The unfavorable translation adjustments during the twelve months of fiscal year 2011 of approximately \$5.8 million were primarily due to weaker foreign currencies and the reclassification of approximately \$4.9 million from Accumulated Other Comprehensive Loss to accumulated depreciation (see Note 1 - Company Overview and Basis of Presentation). The \$172,000 increase in unrealized losses was mainly due to the change in the fair value of the interest rate swaps from August 31, 2010 to August 31, 2011. The \$273,000 is the result of recording the funding obligations for the defined benefit plan entered into by the Company on January 21, 2011 in Trinidad. (See Note 7 – Retirement Plan). The favorable translation adjustments of approximately \$670,000 during fiscal year 2010 were due to a weaker U.S. dollar.

Retained Earnings Not Available for Distribution

As of August 31, 2011 and 2010, retained earnings (accumulated deficit) included retained earnings designated as legal reserves of various subsidiaries of approximately \$4.4 million and \$3.2 million, respectively, at various

subsidiaries, which cannot be distributed as dividends to PriceSmart, Inc. according to applicable statutory regulations.

NOTE 7 – RETIREMENT PLAN

Defined Contribution Plans

PriceSmart offers a defined contribution retirement and 401(k) plan to its U.S. employees, which allows employees to enroll in the plan after 90 days of employment. Enrollment in these plans begins on the first of the month following the employee's eligibility. Effective January 1, 2011, the Company makes nondiscretionary contributions to the 401(k) plan with a 4% "Company Contribution" based on the employee's salary regardless of the employee's own contributions to the plan up to the IRS maximum allowed. Prior to January 1, 2011, the Company made nondiscretionary contributions to the 401(k) plan equal to 100% of the participant's contribution up to an annual maximum of 4% of base compensation up to the IRS maximum allowed. The annual increase to expense from this change was approximately \$334,000. Employer contributions to the 401(k) plan for the Company's U.S. employees were \$900,000, \$566,000 and \$486,000 during fiscal years 2011, 2010 and 2009, respectively. The Company has defined contribution plans for its employees in Panama, Costa Rica, Trinidad, and Jamaica and contributes a percentage of the respective employees' salary. Amounts contributed under these plans were \$497,000, \$409,000 and \$413,000 during fiscal years 2011, 2010 and 2009, respectively.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Defined Benefit Plan

On January 21, 2011, PS Operations Ltd. (“ a subsidiary of the Company”) in Trinidad signed a collective labor agreement with the Oil Workers Trade Union on behalf of the hourly rated weekly paid and hourly rated bi-monthly paid employees who are members of the Union. Management has determined that the agreement contains a Defined Benefit Plan within the contract for retirement pay. The Company will not be funding the obligation. As a result, the entire amount of the benefit obligation is presented as a long-term liability on the consolidated balance sheets. The Company will make payments on any obligation that becomes due from available cash. The following table summarizes the amount of the funding obligation and the line items at which it is recorded on the consolidated balance sheets and consolidated statements of income as of and for the fiscal year ended August 31, 2011 (in thousands):

| | Other Long-Term Liability | Accumulated Other Comprehensive Loss | Operating Expenses |
|---|---------------------------------|---|-----------------------|
| Service cost | \$ (91) | \$ — | \$ 90 |
| Interest cost | (13) | — | 13 |
| Prior service cost (including amortization) | (359) | 355 | 9 |
| Actuarial gains/(losses) | (9) | 9 | — |
| Totals | \$ (472) | \$ 364 | (1) \$ 112 |

- (1) The Company has recorded a deferred tax asset amount of \$91,000, with the unrealized expense on deferred benefit plan and recorded net of tax, accumulated other comprehensive loss for \$273,000.

| Valuation Assumptions Used in the Accounting of the Plan: | Percentage |
|---|------------|
| Discount rate | 5 % |
| Future salary escalation | 4 % |
| Percentage of employees assumed to withdraw from Company without a benefit (“turnover”) | 7 % |
| Percentage of employees assumed to withdraw from Company with a benefit (“disability”) | 1 % |

NOTE 8 – STOCK BASED COMPENSATION

The three types of equity awards offered by the Company are stock options (“options”), restricted stock awards (“RSA’s”) and restricted stock units (“RSU’s”). Compensation related to options is accounted for by applying the valuation technique based on the Black-Scholes model. Compensation related to RSA’s and RSU’s is based on the fair market value at the time of grant with the application of an estimated forfeiture rate. The Company recognizes the

compensation cost related to these awards over the requisite service period of five years, graded ratably at the rate of 20% per year over the five-year period. The Company utilizes “modified grant-date accounting” for true-ups due to actual forfeitures at the vesting dates. The Company records as additional paid-in capital the tax savings resulting from tax deductions in excess of expense for stock-based compensation or a reduction in paid-in capital from the tax deficiency resulting from stock-based compensation in excess of the related tax deduction, based on the Tax Law Ordering method. In addition, the Company reflects the tax saving (deficiency) resulting from the taxation of stock-based compensation as a financing cash flow in its consolidated statement of cash flows, rather than as operating cash flows.

RSA's have the same cash dividend and voting rights as other common stock and are considered to be currently issued and outstanding shares of common stock. RSU's are not issued nor outstanding until vested and do not have the cash dividend and voting rights of common stock. However, the Company has paid dividend equivalents to the employees with unvested RSU's equal to the dividend they would have received had the shares of common stock underlying the RSU's been actually issued and outstanding. The providing of dividend equivalents on RSU's is subject to the annual review and final determination by the board of directors at their discretion. Payments of dividend equivalents to employees are recorded as compensation expense.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company has adopted four stock option and equity participation plans for the benefit of its eligible employees, consultants and non-employee directors. The 1997 Stock Option Plan of PriceSmart, Inc. authorizes 700,000 shares of the Company's common stock for issuance. The Compensation Committee of the Board of Directors administers the 1997 Plan with respect to options granted to employees or consultants of the Company, and the full Board of Directors administers the Plan with respect to director options. The Company no longer grants options under the 1997 Plan. The 1998, 2001 and 2002 Equity Participation Plans of PriceSmart, Inc., as amended, authorize 2,350,000 shares of the Company's common stock for issuance. Options granted under all four plans typically vest over five years and expire in six years. The 1998, 2001 and 2002 plans also allow restricted stock awards and restricted stock units, which typically vest over five years. As of August 31, 2011, 2010 and 2009, an aggregate of 260,344, 353,813 and 504,572 shares, respectively, were available for future grants under the 1998, 2001 and 2002 Equity Participation Plans.

The following table summarizes the components of the stock-based compensation expense for the twelve-month periods ended August 31, 2011, 2010 and 2009 (in thousands), which are included in general and administrative expense and warehouse club operations in the consolidated statements of income:

| | Twelve Months Ended August 31, | | |
|----------------------------------|-----------------------------------|----------|----------|
| | 2011 | 2010 | 2009 |
| Restricted stock awards | \$ 3,780 | \$ 3,670 | \$ 3,145 |
| Restricted stock units | 202 | 68 | 93 |
| Options granted to directors | 55 | 40 | 60 |
| Stock-based compensation expense | \$ 4,037 | \$ 3,778 | \$ 3,298 |

The following table summarizes various concepts related to stock-based compensation as of and for the twelve-months ended August 31, 2011, 2010 and 2009:

| | Twelve Months Ended August 31, | | |
|---|-----------------------------------|----------|----------|
| | 2011 | 2010 | 2009 |
| Remaining unrecognized compensation cost (in thousands) | \$ 8,319 | \$ 8,598 | \$ 7,789 |
| Weighted average period of time over which this cost will be recognized (years) | 3.2 | 3.0 | 3.2 |
| Excess tax benefit (deficiency) on stock-based compensation (in thousands) | \$ 752 | \$ (57) | \$ (16) |

The Company began issuing restricted stock awards in fiscal year 2006 and restricted stock units in fiscal year 2008. The restricted stock awards and units vest over a five-year period and the unvested portion of the award is forfeited if the employee or non-employee director leaves the Company before the vesting period is completed. Restricted stock

awards and units activity for the twelve-months ended August 31, 2011, 2010 and 2009 was as follows:

| | Twelve Months Ended | | |
|---|---------------------|--------------------|-----------|
| | 2011 | August 31, 2010 | 2009 |
| Grants outstanding at beginning of period | 558,821 | 618,250 | 748,860 |
| Granted | 95,700 | 151,930 | 104,510 |
| Forfeited | (8,231) | (4,971) | (32,836) |
| Vested | (209,679) | (206,388) | (202,284) |
| Grants outstanding at end of period | 436,611 | 558,821 | 618,250 |

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes the fair value for restricted stock awards and units for twelve-months of fiscal years 2011, 2010 and 2009:

| | Twelve Months Ended August 31, | | |
|--|-----------------------------------|----------|----------|
| | 2011 | 2010 | 2009 |
| Restricted stock awards and units granted – weighted average grant date fair value | \$ 41.25 | \$ 23.36 | \$ 18.43 |
| Restricted stock awards and units vested – weighted average grant date fair value | \$ 16.72 | \$ 16.58 | \$ 16.21 |
| Restricted stock awards and units vested – weighted average vesting date fair value | \$ 40.92 | \$ 21.24 | \$ 16.31 |
| Restricted stock awards and units forfeited – weighted average grant date fair value | \$ 23.58 | \$ 18.69 | \$ 15.06 |

The total fair market value of restricted stock awards and units vested during the years ended August 31, 2011, 2010 and 2009 was approximately \$8.3 million, \$4.2 million and \$3.3 million, respectively.

The table below reflects repurchases of shares by the Company at the stock price at vesting dates to cover the employees' minimum statutory tax withholding requirements related to the vesting of restricted stock awards. The Company expects to continue this practice going forward.

| | Twelve Months Ended August 31, | | |
|-----------------------------------|-----------------------------------|----------|----------|
| | 2011 | 2010 | 2009 |
| Repurchased shares | 69,146 | 70,679 | 69,062 |
| Repurchased amount (in thousands) | \$ 2,711 | \$ 1,434 | \$ 1,128 |

As of August 31, 2011 and 2010, the Company had 30,800 and 35,200 stock options outstanding under its stock plans, respectively. Stock-based compensation for options represented 1.4% of the total stock-based compensation for fiscal year 2011. Due to the substantial shift from the use of stock options to restricted stock awards and units, the Company believes stock option activity is no longer significant and that any further disclosure on options is not necessary.

NOTE 9 – ASSET IMPAIRMENT AND CLOSURE COSTS FOR CONTINUING OPERATIONS

During fiscal year 2003, the Company closed the warehouse known as the Guatemala Plaza, Guatemala warehouse and relocated the warehouse to a new site. The decision to close the warehouse club resulted from the determination that the location was not conducive to the successful operation of a PriceSmart warehouse club. The vacated warehouse site was subsequently subleased by the Company. The Company finalized an agreement on June 3, 2009 to terminate the Company's rights and obligations with respect to the property where the former Guatemala Plaza warehouse club was located. The lease liability as of that date was approximately \$3.8 million. Cash paid for the lease buy out was \$3.1 million and gain on the lease buy out was recorded for approximately \$651,000.

During fiscal year 2009, asset impairment and closure costs (income) were approximately (\$249,000), which were primarily due to the gain on the Guatemala Plaza lease buyout offset by impairment of discontinued equipment. The Company recorded closure cost (income) of approximately (\$418,000) in fiscal year 2009. These closure costs (income) consisted of (\$651,000) to record a gain for the lease buy out of Guatemala plaza, \$201,000 of additional lease obligations due to a rent increase and \$176,000 of other associated costs. The Company also recorded (\$144,000) in closure cost gains for interest income related to the note issued for the sale of the East Side Santo Domingo, Dominican Republic location. The note was paid in full during the third quarter of fiscal year 2009. The Company recorded approximately \$169,000 in impairment costs for the impairment of POS hardware, slip sheets, and bulk packaging equipment in fiscal year 2009.

With the transfer of the lease and sublease and the payment of the note receivable in fiscal year 2009, the Company no longer recorded any closure costs related to these two closed locations beginning in fiscal year 2010. The Company recorded approximately \$18,000 for impairment charges in fiscal year 2010, related to the impairment of warehouse equipment.

The Company did not record asset impairment charges during fiscal year 2011.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 10 – COMMITMENTS AND CONTINGENCIES

From time to time, the Company and its subsidiaries are subject to legal proceedings, claims and litigation arising in the ordinary course of business, the outcome of which, in the opinion of management, would not have a material adverse effect on the Company. The Company evaluates such matters on a case by case basis, and vigorously contests any such legal proceedings or claims which the Company believes are without merit.

The Company is required to file federal and state tax returns in the United States and various other tax returns in foreign jurisdictions. The preparation of these tax returns requires the Company to interpret the applicable tax laws and regulations in effect in such jurisdictions, which could affect the amount of tax paid by the Company. The Company, in consultation with its tax advisors, bases its tax returns on interpretations that are believed to be reasonable under the circumstances. The tax returns, however, are subject to routine reviews by the various taxing authorities in the jurisdictions in which the Company files its returns. As part of these reviews, a taxing authority may disagree with respect to the interpretations the Company used to calculate its tax liability and therefore require the Company to pay additional taxes.

The Company accrues an amount for its estimate of probable additional income tax liability. In certain cases, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than 50% likelihood of being sustained (See Note 11 - Income Taxes for additional information).

In evaluating the exposure associated with various non-income tax filing positions, the Company accrues for probable and estimable exposures for non-income tax related tax contingencies. As of August 31, 2011 and August 31, 2010, the Company had recorded within other accrued expenses a total of \$2.8 million and \$2.1 million, respectively, for various non-income tax related tax contingencies.

While the Company believes the recorded liabilities are adequate, there are inherent limitations in projecting the outcome of litigation, in estimating probable additional income tax liability taking into account uncertain tax positions and in evaluating the probable additional tax associated with various non-income tax filing positions. As such, the Company is unable to make a reasonable estimate of the sensitivity to change of estimates affecting its recorded liabilities. As additional information becomes available, the Company assesses the potential liability and revises its estimates as appropriate. While the Company believes the recorded liabilities are adequate, there are inherent limitations in the estimation process whereby actual losses may exceed estimated losses.

See Note 17 - Unconsolidated Affiliates for a description of additional capital contributions that may be required in connection with joint ventures to develop commercial centers adjacent to PriceSmart warehouse clubs in Panama and Costa Rica.

The Company contracts for distribution center services in Mexico. The contract for this distribution center's services expires on December 31, 2011. Future minimum service commitments related to this contract for the period less than one year is approximately \$42,000.

During fiscal year 2010, the Company was made aware of a potential permitting issue involving the Alajuela warehouse club, located in Costa Rica. The construction of that club and its related facilities included the construction of a water retention basin ("WRB") on property owned by Hacienda Santa Anita(1) ("HSA"). This WRB is used to slow the flow of water runoff from property owned by the Company (the Alajuela warehouse club), property owned by the joint venture Plaza Price Alajuela ("PPA"), and property owned by HSA, as it is discharged into the municipal drainage system. After certain administrative and court proceedings related to the original construction permit for the club and its facilities, the Company was advised by the Municipality of Alajuela ("MA") that the MA required the construction and proper operation of a set of complementary improvements to the WRB. These improvements consisted of digging a network of dirt canals on HSA property to capture and conduct surface waters from these properties to the WRB. The Company has performed this work. However, prior to the Company beginning this work, HSA required the Company to sign an indemnification agreement pursuant to which the Company agreed that it will purchase at fair market value the land held by HSA in the event HSA is not allowed to develop that land due to the construction of the canals. The Company has estimated the current fair value of the land to be approximately \$4.1 million.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company has obtained all the necessary permits allowing the WRB to remain open under the current development conditions in the adjacent properties, although the Costa Rican Health Ministry (“HM”), in granting the health permit for the WRB, has required that the Company construct a wall at part of the perimeter of the HSA property to protect the slope that supports the WRB. The Company is currently processing the necessary permits and has retained a contractor to construct this wall. To support additional development on the PPA property, certain additional improvements to the WRB are required, as recommended by relevant professionals retained by the Company. The Company will submit applications to process the necessary permits to perform these improvements during the next dry season. The Company has not recorded a liability for any of these matters as of August 31, 2011 or August 31, 2010.

(1) Hacienda Santa Anita is a locally based business related to J.B Enterprises (a Panamanian business entity). On September 29, 2008, the Company entered into a joint venture with J.B. Enterprises, known as Plaza Price Alajuela, to jointly own and operate a commercial retail center adjacent to the Alajuela warehouse club, with each owning a 50% interest in the joint venture.

NOTE 11 – INCOME TAXES

Income from continuing operations before provision for income taxes and loss of unconsolidated affiliates includes the following components (in thousands):

| | Years Ended August 31, | | |
|---|------------------------|-----------|-----------|
| | 2011 | 2010 | 2009 |
| United States | \$ 24,259 | \$ 17,390 | \$ 4,539 |
| Foreign | \$ 65,097 | \$ 54,850 | \$ 51,163 |
| Income from continuing operations before provision for income taxes and loss of unconsolidated affiliates | \$ 89,356 | \$ 72,240 | \$ 55,702 |

Significant components of the income tax provision are as follows (in thousands):

| | Years Ended August 31, | | |
|--------------------------------------|------------------------|-----------|-----------|
| | 2011 | 2010 | 2009 |
| Current: | | | |
| U.S. | \$ 4,905 | \$ 3,540 | \$ (659) |
| Foreign | 21,170 | 15,054 | 14,650 |
| Total | \$ 26,075 | \$ 18,594 | \$ 13,991 |
| Deferred: | | | |
| U.S. | \$ 375 | \$ 2,973 | \$ 1,001 |
| Foreign | 146 | 1,870 | 951 |
| Valuation allowance charge (release) | 872 | (650) | (2,874) |
| Total | \$ 1,393 | \$ 4,193 | \$ (922) |
| Provision for income taxes | \$ 27,468 | \$ 22,787 | \$ 13,069 |

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of August 31, 2011, the Company has elected to present the reconciliation of income tax on a percentage basis as compared to a whole dollar basis. The reconciliation of income tax computed at the Federal statutory tax rate to the provision for income taxes is as follows (in percentages):

| | Years Ended August 31, | | |
|--|------------------------|--------|--------|
| | 2011 | 2010 | 2009 |
| Federal tax provision at statutory rates | 35.00% | 34.00% | 34.00% |
| State taxes, net of federal benefit | 0.84 | 0.47 | 0.11 |
| Differences in foreign tax rates | (3.74) | (3.39) | (7.03) |
| Permanent items and other adjustments | (2.34) | 1.36 | 1.54 |
| Increase (decrease) in Foreign valuation allowance | 0.98 | (0.90) | (5.16) |
| Provision for income taxes | 30.74% | 31.54% | 23.46% |

Significant components of the Company's deferred tax assets as of August 31, 2011 and 2010 are shown below (in thousands):

| | 2011 | August 31, 2010 | 2009 |
|---|-----------|--------------------|-----------|
| Deferred tax assets: | | | |
| U.S. net operating loss carryforward | \$ 8,953 | \$ 9,688 | \$ 10,437 |
| U.S. capital loss carryforward | — | 4,318 | 4,318 |
| U.S. timing differences and AMT credits | 294 | 1,787 | 2,392 |
| Deferred compensation | 683 | 921 | 1,258 |
| Foreign tax credits | 3,569 | 4,944 | 5,859 |
| Foreign deferred taxes | 15,421 | 14,264 | 15,414 |
| Total deferred tax assets | 28,920 | 35,922 | 39,678 |
| U.S. valuation allowance | (8) | (8,350) | (8,350) |
| Foreign valuation allowance | (7,661) | (7,296) | (7,772) |
| Net deferred tax assets | \$ 21,251 | \$ 20,276 | \$ 23,556 |

As of August 31, 2011 and 2010, the Company had deferred tax liabilities of \$2.4 million and \$1.6 million, respectively, arising from timing differences in certain subsidiaries.

During fiscal year 2011, the Company incurred current tax expense of \$26.1 million and recognized a net deferred tax expense of \$1.4 million, resulting in a net tax expense of \$27.5 million. During fiscal year 2010, the Company incurred current tax expense of \$18.6 million and recognized a net deferred tax expense of \$4.2 million, resulting in

net tax expense of \$22.8 million. The effective tax rate for fiscal year 2011 is 30.74%, as compared to the effective tax rate for fiscal year 2010 of 31.54%. For fiscal year 2011, the decrease in the effective tax rate is primarily attributable to a \$3.1 million decrease in tax expense due to the correction of an error identified in the Company's reconciliation of net deferred tax assets related to net operating and capital loss carryforwards to its tax returns (see Note 1 - Company Overview and Basis of Presentation). This decrease was offset by the following: (i) an increase in U.S. statutory tax rate from 34% to 35%; (ii) a \$516,000 undistributed profits tax in Panama for accumulated retained earnings that the Company is not planning to repatriate to the US; (iii) a \$581,000 income tax accrual for uncertain tax positions; and (iv) a charge to taxes due to a taxable loss incurred in the Company's new Colombia entity for which it did not recognize a tax benefit. A full valuation allowance was recorded against the future tax benefit of losses generated by Colombia operations which started during fiscal year 2010. This valuation allowance was necessary because the Colombia operations have not established an earnings history to support recording a tax benefit.

For fiscal year 2011, management concluded that a valuation allowance continues to be necessary for certain U.S. and foreign deferred tax asset balances, primarily because of the existence of significant negative objective evidence, such as the fact that certain subsidiaries are in a cumulative loss position for the past three years, and the determination that certain net operating loss carryforward periods are not sufficient to realize the related deferred tax assets. The Company factored into its analysis the inherent risk of forecasting revenue and expenses over an extended period of time and also considered the potential risks associated with its business. During fiscal year 2011, the Company reversed \$8.3 million of previously recorded valuation allowance on its US deferred tax assets due to the following: (i) expiration of capital loss carryforwards of \$4.3 million; (ii) a correction of an error related to net operating and capital loss carryforwards of \$3.1 million; and (iii) a \$900,000 conversion of foreign tax credits to net operating losses. There were no reversal of previously recorded foreign valuation allowances during fiscal years 2011 and 2010. Accordingly, the Company had net foreign deferred tax assets of \$7.8 million and \$7.0 million as of August 31, 2011 and 2010, respectively.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company has federal and state tax net operating loss carryforwards, or NOLs, at August 31, 2011 of approximately \$29.8 million and \$4.6 million, respectively. The federal and state tax loss carryforwards generally expire during periods ranging from 2015 through 2025, unless previously utilized. Generally for U.S. federal and U.S. Virgin Islands tax reporting purposes, the statute of limitations is three years from the date of filing of the income tax return. If and to the extent the tax year resulted in a taxable loss, the statute is extended to three years from the filing date of the income tax return in which the carryforward tax loss was used to offset taxable income in the carryforward year. In calculating the tax provision and assessing the likelihood that the Company will be able to utilize the deferred tax assets, the Company considered and weighed all of the evidence, both positive and negative, and both objective and subjective. The Company factored in the inherent risk of forecasting revenue and expenses over an extended period of time and considered the potential risks associated with its business. Using the Company's U.S. income from continuing operations and projections of future taxable income in the U.S., the Company was able to determine that there was sufficient positive evidence to support the conclusion that it was more likely than not that the Company would be able to realize substantially all of its U.S. NOLs by generating taxable income during the carryforward period. However, if the Company does not achieve its projections of future taxable income in the U.S., the Company could be required to take a charge to earnings related to the recoverability of these deferred tax assets.

The Company has determined that due to a deemed change of ownership (as defined in Section 382 of the Internal Revenue Code) in October 2004, there will be annual limitations in the amount of U.S. profits that may be offset by NOLs. The NOLs generated prior to the deemed ownership change date, as well as a significant portion of the losses generated as a result of the PSMT Philippines disposal in August 2005, will be limited on an annual basis. This annual limitation is approximately \$3.5 million per year. The Company does not believe this will impact the recoverability of these NOLs.

As of August 31, 2011, the Company also has foreign tax credits that expire from 2015 through 2020 of \$3.6 million. Due to their shorter recovery period and limitations applicable under section 383 of the Internal Revenue code regarding changes of ownership, the Company had, as of August 31, 2010, valuation allowances of \$1.0 million on U.S. foreign tax credit carryforwards generated before the date of the deemed ownership change. During fiscal year August 31, 2011, the Company elected to convert \$900,000 of these foreign tax credits into net operating losses.

The Company's capital loss carryforwards resulting from the disposal of PSMT Philippines and Mexico expired during fiscal year 2011. As such, the capital loss carryforward deferred tax assets and related valuation allowance recorded against them were reversed during the fiscal year.

The Company does not provide for income taxes which would be payable if undistributed earnings of its foreign subsidiaries were remitted, because the Company considers these earnings to be permanently reinvested. As of August 31, 2011 and 2010, the undistributed earnings of these foreign subsidiaries are approximately \$144.7 million and \$96.9 million, respectively. Upon distribution of those earnings in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes and withholding taxes payable to the foreign countries, but would also be able to offset unrecognized foreign tax credits. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable because of the complexities associated with its hypothetical calculation.

The Company accrues for the estimated additional amount of taxes for uncertain income tax positions if the likelihood of sustaining the tax position does not meet the more likely than not standard for recognition of tax benefits.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

| | August 31, | |
|--|------------|-----------|
| | 2011 | 2010 |
| Balance at beginning of fiscal year | \$ 13,615 | \$ 13,851 |
| Additions based on tax positions related to the current year | 1,130 | 429 |
| Reductions for tax positions of prior years | — | (166) |
| Settlements | (643) | (21) |
| Expiration of the statute of limitations for the assessment of taxes | (574) | (478) |
| Balance at end of fiscal year | \$ 13,528 | \$ 13,615 |

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of August 31, 2011, the liability for income taxes associated with uncertain tax benefits was \$13.5 million and can be reduced by \$11.6 million of tax benefits associated with state income taxes and other timing adjustments which are recorded as deferred income taxes pursuant to ASC 740-10. The net amount of \$1.9 million, if recognized, would favorably affect the Company's financial statements and favorably affect the Company's effective income tax rate.

The Company expects changes in the amount of unrecognized tax benefits in the next 12 months as the result of a lapse in various statutes of limitations. The lapse of statutes of limitations in the 12-month period ending August 31, 2012 is expected to result in a reduction to long-term income taxes payable totaling \$1.5 million.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense. As of August 31, 2011 and 2010, the Company had accrued \$1.3 million and \$1.5 million, respectively, (before income tax benefit) for the payment of interest and penalties.

The Company has various appeals pending before tax courts in its subsidiaries' jurisdictions. Any possible settlement could increase or decrease earnings but is not expected to be significant. Audit outcomes and the timing of audit settlements are subject to significant uncertainty.

The Company or one of its subsidiaries files income tax returns in the US federal jurisdiction and various state and foreign jurisdictions. The Company is generally no longer subject to income tax examinations by tax authorities in its major jurisdictions except for the fiscal years subject to audit as set forth in the table below:

| Tax Jurisdiction | Fiscal Years Subject to Audit |
|----------------------------------|---|
| U.S. federal | 1997 through 2001 and 2003 through 2011 |
| California (U.S.) (state return) | 2004 through 2011 |
| Florida(U.S.) (state return) | 2005 through 2011 |
| Aruba | 2002 to the present |
| Barbados | 2005 to the present |
| Costa Rica | 2008 to the present |
| Colombia | 2009 to the present |
| Dominican Republic | 2006 to the present |
| El Salvador | 2007 to the present |
| Guatemala | 2008 and 2010 |
| Honduras | 2006 to the present |
| Jamaica | 2005 to the present |
| Mexico | 2006 to the present |
| Nicaragua | 2007 to the present |
| Panama | 2008 to the present |
| Trinidad | 2004 to the present |
| U.S. Virgin Islands | 2001 to the present |

Generally for U.S. federal and U.S. Virgin Islands tax reporting purposes, the statute of limitations is three years from the date of filing of the income tax return. If and to the extent the tax year resulted in a taxable loss, the statute is extended to three years from the filing date of the income tax return in which the carryforward tax loss was used to offset taxable income in the carryforward year. Given the historical losses in these jurisdictions and the Section 382 change in control limitations on the use of the tax loss carryforwards, there is uncertainty and significant variation as to when a tax year is no longer subject to audit.

Cash amounts paid during fiscal year 2011, 2010 and 2009 for income taxes were \$22.4 million, \$19.3 million, and \$13.0 million, respectively.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 12 – DEBT

Short-term borrowings consist of lines of credit which are secured by certain assets of the Company and its subsidiaries and in some cases are guaranteed by the Company as summarized below (in thousands):

| | Facilities Used | | | | |
|-----------------|-------------------------------------|--------------------------|----------------------|-------------------------|--------------------------------------|
| | Total Amount of Facilities | Short-term Borrowings | Letters of Credit | Facilities Available | Weighted average interest rate |
| August 31, 2011 | \$ 28,033 | \$ 2,259 | \$ 453 | \$ 25,321 | 9.5% |
| August 31, 2010 | \$ 27,940 | \$ 3,551 | \$ 470 | \$ 23,919 | 9.5% |

Long-term debt consists of the following (in thousands):

| | August 31, 2011 | August 31, 2010 |
|--|--------------------|--------------------|
| Note due July 2017, 9.0% fixed rate(5) | \$ 5,147 | \$ 5,858 |
| Note due November 2017, (six-month LIBOR + 1.5%) 1.92% current Rate(3) (5) (6) | 2,925 | 3,375 |
| Note due November 2017, (BB Prime rate – 2%)(8) | — | 3,334 |
| Note due September 2014, 5.5% fixed rate(1) (5) (6) | 6,467 | 7,267 |
| Note due August 2018, (1 year LIBOR + 2.75%) 3.55% current rate(3) (5) | 6,300 | 7,200 |
| Note due February 2016, 6.71% fixed rate(1) (5) (6) | 7,125 | 8,075 |
| Note due August 2014, 5.5% fixed rate(1) (5) (6) | 8,000 | 9,000 |
| Note due January 2015, 5.5% fixed rate (1) (5) (6) | 5,050 | 5,650 |
| Note due March 2015, (Variable interest, to be reviewed annually)10.25% current rate(2) | 4,311 | 5,511 |
| Note due August 2015, (Yr-1 5.0% Fixed rate, Yrs 2-3 5.5% Fixed rate and Yrs 4-5 Prime rate + 2.5%) 5.0% current rate(1) (5) | 4,500 | 5,000 |
| Note due November 2015, (six-month LIBOR + 2.4%) 2.83% current rate(4) (6) | 8,000 | — |
| Note due April 2016, (three-month LIBOR + 0.7%) 0.945% current rate (6) (9) (10) | 7,924 | — |
| Note due July 2016, (three-month LIBOR + 0.7%) 0.954% current rate (6) (9) (11) | 2,000 | — |
| Note due September 2011, (\$475,000 three year, zero interest, discounted loan) (7) | 473 | 450 |
| Total long-term debt | 68,222 | 60,720 |
| Less: current portion | 7,771 | 7,715 |

| | | | | |
|--|----|--------|----|--------|
| Long-term debt, net of current portion | \$ | 60,451 | \$ | 53,005 |
|--|----|--------|----|--------|

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

- (1) Loan contains a balloon payment for net principal due at the end of the loan term.
- (2) As collateral for this loan, the Company's Honduras subsidiary entered into an agreement with Banco Del Pais to open and maintain a certificate of deposit with an initial interest rate of 3.88%. The certificate of deposit is for \$4.9 million as of August 31, 2011. The certificate of deposit is automatically renewable by Banco Del Pais on an annual basis for the net amortized outstanding balance on the loan.
- (3) The Company has entered into an interest rate swap agreement to eliminate the changes (variability) of the interest payments on these loans. (See Note 14 – Derivative Instruments and Hedging Activities.)
- (4) On November 1, 2010, the Company's Colombia subsidiary entered into a loan agreement with Citibank, N.A. in New York. The agreement establishes a credit facility for \$16.0 million to be disbursed in two tranches of \$8.0 million each. The interest rate is set at the 6 month LIBOR rate plus 2.4%. The loan term is five years with interest only payments and a balloon payment at maturity. The Company's Colombia subsidiary is required to comply with certain annual financial covenants, which include debt service and leverage ratios. The first reporting period for these financial covenants will be on December 31, 2011. The credit facility is renewable for an additional five-year period at PriceSmart, Colombia's option. As collateral for this credit facility, the Company entered into an agreement with Citibank, N.A. to open and maintain a certificate of deposit equal to the amount outstanding on the loan with an initial interest rate of 6 month LIBOR plus 1.66%.
- (5) As of August 31, 2011 and August 31, 2010, approximately \$45.5 million and \$54.8 million, respectively, of the Company's long-term debt was collateralized by certain land, buildings, fixtures, equipment and shares of each respective subsidiary. The carrying amount of the non-cash assets assigned as collateral for long-term debt was \$93.2 million and \$87.4 million as of August 31, 2011 and August 31, 2010, respectively.
- (6) As of August 31, 2011 and August 31, 2010, approximately \$47.5 million and \$36.7 million, respectively, relate to loans held by the Company's subsidiaries in Trinidad, Barbados, Panama, El Salvador, Honduras and Colombia that require these subsidiaries to comply with certain annual or quarterly financial covenants which include debt service and leverage ratios. As of August 31, 2011 and August 31, 2010, the Company was in compliance with respect to these covenants.
- (7) As of August 31, 2011 and August 31, 2010, approximately \$473,000 and \$450,000, respectively, of the Company's long-term debt, current portion was collateralized by shares that the Company owns in the joint venture, Newco2. (See Note 17 – Unconsolidated Affiliates.) On September 29, 2011, the Company exercised its option to cancel its participation in this joint venture. (See Note 19 – Subsequent Events).
- (8) On November 25, 2010, the Company's Barbados subsidiary paid off its Barbados local currency loan to Citicorp Merchant Bank Limited for approximately \$3.3 million.
- (9) On March 14, 2011 the Company's Colombia subsidiary entered into a loan agreement with Scotiabank & Trust (Cayman) Ltd. The agreement establishes a credit facility for \$16.0 million to be disbursed in several tranches. The interest rate is set at the three-month LIBOR rate plus 0.7%. The loan term is five years with interest only payments and a balloon payment at maturity. This loan is secured by a time deposit of \$16.0 million pledged by the Company's Costa Rican subsidiary. The deposit will earn an interest rate of three-month LIBOR. The first tranche of \$8.0 million was funded on April 1, 2011 and a second tranche of \$2.0 million was funded on July 28, 2011, and the Company secured this portion of the loan with an \$8.0 million and \$2.0 million secured time deposit, respectively. Subsequent to August 31, 2011, the Company drew down the third and final tranche of \$6.0 million on September 30, 2011 and the Company secured this portion of the loan with a \$6.0 million secured time deposit. The Company's Colombia subsidiary is required to comply with certain annual financial covenants, which include debt service and leverage ratios. The first reporting period for these financial covenants will be on December 31, 2011.
- (10)

The Company's Colombia subsidiary entered into a cross-currency interest rate swap agreement on May 5, 2011 with the Bank of Nova Scotia ("Scotia Bank"). Under the cross-currency interest rate swap agreement, the Company will receive variable interest in U.S. dollars based on the three-month LIBOR rate plus 0.7% on a notional amount of US\$8.0 million and pay fixed Colombian peso ("COP") interest of 6.09% on a notional of COP 14,136,000,000 for a term of approximately five years. The first LIBOR reset dates for the hedged long-term debt and the cross-currency interest rate swap occur on the first day of January, April, July, and October, beginning on July 5, 2011. The quarterly interest due to or due from Scotia Bank on the derivative instrument will be settled on a net basis. That is, if the floating leg is greater than the fixed leg on the swap, then the Company will receive a single, net amount from Scotia Bank. Conversely, if the fixed leg is greater than the floating leg, the Company will pay a single net amount to Scotia Bank. (See Note 14 – Derivative Instruments and Hedging Activities.)

- (11) The Company's Colombia subsidiary has subsequently entered into cross-currency interest rate swap agreements dated October 21, 2011 with the Bank of Nova Scotia with respect to notional amounts of U.S. dollar \$2.0 million and U.S. dollar \$6.0 million, respectively. On the first of these additional swaps, the Company will receive variable U.S. dollar interest based on the three-month LIBOR rate plus 0.7% on a notional of U.S. \$2.0 million ("the floating leg") and pay fixed COP interest of 5.30% on a notional of COP 3,801,600,000 ("the fixed leg") for a term of approximately five years (Effective date of July 29, 2011 through April 1, 2016). On the second of these swaps, the Company will receive variable U.S. dollar interest based on the three-month LIBOR rate plus 0.7% on a notional of U.S. \$6.0 million ("the floating leg") and pay fixed COP interest of 5.45% on a notional of COP 11,404,800,000 ("the fixed leg") for a term of approximately five years (effective date of September 29, 2011 through April 1, 2016).

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Annual maturities of long-term debt are as follows (in thousands):

| Years Ended August 31, | Amount |
|------------------------|-----------|
| 2011 | \$ 7,771 |
| 2012 | 7,298 |
| 2013 | 12,298 |
| 2014 | 14,213 |
| 2015 | 23,495 |
| Thereafter | 3,147 |
| Total | \$ 68,222 |

NOTE 13 – LEASES

The Company is committed under non-cancelable operating leases for the rental of facilities and land. These leases expire or become subject to renewal between December 20, 2012 and July 5, 2031.

As of August 31, 2011, the Company's warehouse clubs occupied a total of approximately 1,932,612 square feet of which 420,647 square feet were on leased property. The following is a summary of the warehouse clubs and Company facilities located on leased property:

| Location | Facility Type | Date Opened | Approximate Square Footage | Current Lease Expiration Date | Remaining Option(s) to Extend |
|-----------------------------------|------------------------|------------------|----------------------------|-------------------------------|-------------------------------|
| Via Brazil, Panama | Warehouse Club | December 4, 1997 | 68,696 | October 31, 2026 | 10 years |
| Miraflores, Guatemala | Warehouse Club | April 8, 1999 | 66,059 | December 31, 2020 | 5 years |
| Pradera, Guatemala | Warehouse Club | May 29, 2001 | 48,438 | May 28, 2021 | none |
| Tegucigalpa, Honduras(1) | Warehouse Club | May 31, 2000 | 64,735 | May 30, 2020 | none |
| Oranjestad, Aruba | Warehouse Club | March 23, 2001 | 64,627 | March 23, 2021 | 10 years |
| Port of Spain, Trinidad | Warehouse Club | December 5, 2001 | 54,046 | July 5, 2031 | none |
| St. Thomas, U.S.V.I. | Warehouse Club | May 4, 2001 | 54,046 | February 28, 2020 | 10 years |
| Barbados | Storage Facility | May 5, 2006 | 4,800 | May 31, 2013 | 1 year |
| Chaguanas, Trinidad | Employee Parking | May 1, 2009 | 4,944 | April 30, 2024 | none |
| Chaguanas, Trinidad | Container Parking | April 1, 2010 | 65,340 | March 31, 2015 | none |
| Santo Domingo, Dominican Republic | Central Offices | June 1, 2010 | 2,002 | May 31, 2015 | 1 year |
| Bogota, Colombia | Central Offices | October 21, 2010 | 4,100 | December 20, 2012 | none |
| San Diego, CA(2) | Corporate Headquarters | April 1, 2004 | 39,225 | August 31, 2015 | 5 years |
| Miami, FL(3) | Distribution Facility | March 1, 2008 | 274,652 | July 31, 2021 | 10 years |

(1) On July 1, 2011, the Company added to its existing lease in the warehouse club located in Tegucigalpa, Honduras, approximately 29,760 square feet of parking space.

(2)

On April 27, 2011, the Company executed a second amendment to include an additional space of 4,325 square feet at its corporate headquarters.

- (3) On July 27, 2010, in order to consolidate Miami facilities, the Company renegotiated its existing lease for its primary distribution center in Miami, extending the term and adding approximately 74,000 square feet of warehouse space. During June 2011, the Company began to utilize this area to consolidate its dry, frozen and refrigerated merchandise distribution facilities.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes the components of rental expense charged for operating leases of open locations for fiscal years 2011, 2010 and 2009 (in thousands):

| | Years ended August 31, | | |
|----------------------------------|------------------------|----------|----------|
| | 2011 | 2010 | 2009 |
| Minimum rental payments | \$ 6,883 | \$ 6,855 | \$ 6,601 |
| Deferred rent accruals | 724 | 438 | 268 |
| Total straight line rent expense | 7,607 | 7,293 | 6,869 |
| Contingent rental payments | 2,070 | 1,561 | 1,325 |
| Common area maintenance expense | 792 | 920 | 774 |
| Rental expense | \$ 10,469 | \$ 9,774 | \$ 8,968 |

Future minimum lease commitments for facilities under these leases with an initial term in excess of one year are as follows (in thousands):

| Years Ended August 31, | Open Locations ⁽¹⁾ |
|------------------------|-------------------------------|
| 2012 | \$ 6,833 |
| 2013 | 6,950 |
| 2014 | 6,960 |
| 2015 | 7,026 |
| 2016 | 6,417 |
| Thereafter | 43,720 |
| Total | \$ 77,906 |

(1) Operating lease obligations have been reduced by approximately \$560,000 to reflect sub-lease income.

Certain obligations under leasing arrangements are collateralized by the underlying asset being leased.

The following table summarizes the components of rental income recorded for operating leases for fiscal years 2011, 2010 and 2009 (in thousands):

| | Years ended August 31, | | |
|---------------------------------|------------------------|----------|--------------------|
| | 2011 | 2010 | 2009 |
| Minimum rental receipts | \$ 2,676 | \$ 2,413 | \$ 2,271 |
| Deferred rent accruals | 104 | 184 | 350 ⁽¹⁾ |
| Total straight line rent income | 2,780 | 2,597 | 2,621 |
| Contingent rental receipts | 99 | 76 | 99 |
| Common maintenance area income | 60 | 51 | 11 |
| Rental income | \$ 2,939 | \$ 2,724 | \$ 2,731 |

- (1) The Company recorded deferred rental income of \$279,000 in the first quarter of fiscal year 2009 based on a revised calculation that did not affect subsequent quarters.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company entered into leases as landlord for rental of land and/or building space for properties it owns. The following is a schedule of future minimum rental income on non-cancelable operating leases with an initial term in excess of one year from owned property as of August 31, 2011 (in thousands):

| Years ended August 31, | Amount |
|------------------------|-----------|
| 2012 | \$ 1,964 |
| 2013 | 1,769 |
| 2014 | 1,547 |
| 2015 | 1,423 |
| 2016 | 1,208 |
| Thereafter | 5,169 |
| Total | \$ 13,080 |

NOTE 14 – DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to certain risks relating to its ongoing business operations. One risk managed by the Company using derivative instruments is interest rate risk. To manage interest rate exposure, the Company enters into hedge transactions (interest rate swaps) using derivative financial instruments. The objective of entering into interest rate swaps is to eliminate the variability of cash flows in the LIBOR interest payments associated with variable-rate loans over the life of the loans. As changes in interest rates impact the future cash flow of interest payments, the hedges provide a synthetic offset to interest rate movements.

In addition, the Company is exposed to foreign currency and interest rate cash flow exposure related to a non-functional currency long-term debt of one of its wholly owned subsidiaries. To manage this foreign currency and interest rate cash flow exposure, the Company's subsidiary entered into a cross currency interest rate swap that converts its foreign currency denominated floating interest payments to functional currency fixed interest payments during the life of the hedging instrument. As changes in foreign exchange and interest rates impact the future cash flow of interest payments, the hedge is intended to offset changes in cash flows attributable to interest rate and foreign exchange movements.

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction is determined to be ineffective. There were no such amounts for the periods reported herein.

The Company formally documents the hedging relationships for all derivative instruments. As of August 31, 2011 and August 31, 2010, all of the Company's derivative financial instruments are designated and qualify as cash flow hedges. The Company has procedures in place in order to monitor and control the use of derivative financial instruments and ensure they are not used for trading or speculative purposes.

The Company's Colombia subsidiary entered into a cross-currency interest rate swap agreement on May 5, 2011 with the Bank of Nova Scotia ("Scotia Bank") for a notional amount of \$8.0 million. The cross-currency interest rate swap agreement converts the Company's foreign currency United States dollar denominated floating interest payments on

the \$8.0 million long-term debt with Scotia Bank to functional currency fixed interest payments during the life of the hedging instrument. As changes in foreign exchange and interest rates impact the future cash flow of interest payments, the hedge is intended to offset changes in cash flows attributable to interest rate and foreign exchange movements. The hedged loan has a variable interest rate of 3 month LIBOR plus a margin of 0.7%. Under the cross-currency interest rate swap agreement, the Company will receive variable U.S. dollar interest based on the three-month LIBOR rate plus 0.7% on a notional amount of US\$8.0 million and pay fixed Colombian peso ("COP") interest of 6.09% on a notional amount of COP 14,136,000,000 for a term of approximately five years (effective date of April 1, 2011 through April 1, 2016). The LIBOR reset dates for the hedged long-term debt and the cross-currency interest rate swap occur on the first day of January, April, July, and October, beginning on July 5, 2011. The quarterly interest due to or due from Scotia Bank on the derivative instrument will be settled on a net basis. That is, if the floating leg is greater than the fixed leg on the swap, then the Company will receive a single, net amount from Scotia Bank. Conversely, if the fixed leg is greater than the floating leg, the Company will pay a single net amount to Scotia Bank.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In the first quarter of fiscal 2009, the Company's Trinidad subsidiary entered into an interest rate swap agreement with the Royal Bank of Trinidad & Tobago LTD ("RBTT") for a notional amount of \$8.9 million. This swap agreement was entered into in order to fix the interest rate of a \$9.0 million loan entered into in fiscal year 2008. The loan has a variable interest rate of one year LIBOR plus a margin of 2.75%. Under the swap agreement, the Company will pay a fixed rate of 7.05% for a term of approximately five years (until September 26, 2013). The notional amount of \$8.9 million is scheduled to amortize to \$4.5 million over the term of the swap. The LIBOR reset dates for the \$9.0 million loan and the notional amount of \$8.9 million on the interest rate swap are effective annually on August 26. As the interest rate swap is fixed at 7.05%, the difference between the actual floating rate (one year LIBOR plus margin of 2.75%) and the fixed rate of 7.05% applied against the notional amount of the swap is paid to or received from RBTT monthly.

In the second quarter of fiscal year 2008, the Company's Barbados subsidiary entered into an interest rate swap agreement with Citibank, N.A. for a notional amount of \$4.5 million. This swap agreement was entered into in order to fix the interest rate on a \$4.5 million loan obtained in U.S. dollars in fiscal year 2008. The loan has a variable interest rate of nine-month LIBOR plus a margin of 1.5%. Under the swap agreement, the Company will pay a fixed rate of 5.22% for a term of approximately five years (until November 14, 2012). The notional amount of \$4.5 million is scheduled to amortize to \$2.25 million over the term of the swap. The LIBOR reset dates for the \$4.5 million loan and the notional amount of \$4.5 million on the interest rate swap are effective semi-annually on November 15 and May 15. As the interest rate swap is fixed at 5.22%, the difference between the actual floating rate (six month LIBOR plus a margin of 1.5%) and the fixed rate of 5.22% applied against the notional amount of the swap is paid to or received from Citibank, N.A. semi-annually.

For the twelve-month periods ended August 31, 2011, 2010, and 2009 the Company included the gain or loss on the hedged items (that is, variable-rate borrowings) in the same line item—interest expense—as the offsetting gain or loss on the related interest rate swaps as follows (in thousands):

| Income Statement Classification | Interest expense on | | |
|--|---------------------|---------------|------------------|
| | Borrowings | Loss on Swaps | Interest expense |
| Interest expense for the twelve-months ended August 31, 2011 | \$ 407 | \$ 450 | \$ 857 |
| Interest expense for the twelve-months ended August 31, 2010 | \$ 446 | \$ 293 | \$ 739 |
| Interest expense for the twelve-months ended August 31, 2009 | \$ 675 | \$ 144 | \$ 780 |

The total notional amount of the Company's pay-fixed/receive-variable interest rate swaps was as follows (in thousands):

| Floating Rate Payer (Swap Counterparty) | Notional Amount as of | Notional Amount as of |
|---|-----------------------|-----------------------|
|---|-----------------------|-----------------------|

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| | August 31, 2011 | August 31, 2010 |
|---------------|--------------------|--------------------|
| RBTT | \$ 6,300 | \$ 7,200 |
| Scotiabank | \$ 8,000 | \$ — |
| Citibank N.A. | \$ 2,925 | \$ 3,375 |
| Total | \$ 17,225 | \$ 10,575 |

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company measures the fair value for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis or on a nonrecurring basis during the reporting period as further described within Note 2. The debt fair value is measured as the net present value of the debt cash payments. This requires estimating the payments and the timing of the payments and taking the discounted cash flow of these payments. The amount and timing of the cash flows are often determined by the debt instrument assuming no defaults. The discount rate used to calculate the net present value of the debt is the current risk-free rate plus the risk premium adjustment reflecting the credit rating. The Company considered the effect of its credit risk (credit standing) on the fair value of the liability in all periods in which the liability was measured at fair value.

The following table summarizes the fair value of derivative instruments (in thousands):

| Derivatives designated as cash flow hedging instruments | Liability Derivatives | | | |
|---|------------------------|------------|------------------------|------------|
| | August 31, 2011 | | August 31, 2010 | |
| | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| Interest rate swaps(1) | Other Accrued Expenses | \$ 544 | Other Accrued Expenses | \$ 767 |
| Cross currency interest rate swap(2) | Other Accrued Expenses | 340 | Other Accrued Expenses | — |
| Total derivatives designated as hedging instruments(3) | | \$ 884 | | \$ 767 |

(1) The effective portion of the interest rate swaps was recorded as a loss to accumulated other comprehensive loss for \$408,000 and \$576,000, net of tax, as of August 31, 2011, and August 31, 2010, respectively. The Company has recorded a deferred tax asset amount of \$136,000.

(2) The effective portion of the cross currency interest rate swap was recorded as a loss to accumulated other comprehensive loss for \$340,000 as of August 31, 2011. The Company has recorded a valuation allowance on the related deferred tax asset.

(3) All derivatives were designated as cash flow hedging instruments.

NOTE 15 – ACQUISITION OF NONCONTROLLING INTEREST

In May 2010, the Company purchased the remaining 5% noncontrolling interest of its Trinidad subsidiary for \$3.8 million in cash. As of the purchase date, the Company had recorded a liability for approximately \$886,000 related to the 5% noncontrolling interest. The Company recorded the change in the ownership interest as an equity transaction, adjusting additional paid-in capital for approximately \$2.9 million (the difference between the fair value of consideration paid less the book value of the noncontrolling interest).

The Company did not acquire any noncontrolling interests during fiscal year 2011 or fiscal year 2009.

NOTE 16 – RELATED-PARTY TRANSACTIONS

Use of Private Plane: From time to time members of the Company's management use private planes owned in part by La Jolla Aviation, Inc. to travel to business meetings in Latin America and the Caribbean. La Jolla Aviation, Inc. is solely owned by The Robert and Allison Price Trust, and Robert Price is a Director and Officer of La Jolla Aviation, Inc. Under the "original use agreement," if the passengers are solely Company personnel, the Company has reimbursed La Jolla Aviation for a portion of the fixed management fee and additional expenses incurred by La Jolla Aviation as a result of the hours flown, including direct charges associated with the use of the plane, landing fees, catering and international fees. If the passengers are not solely PriceSmart, Inc. personnel and if one or more of the passengers is a member of the Price Group (including Robert E. Price), the Company has reimbursed La Jolla Aviation for use of the aircraft based on the amounts the passengers would have paid if they had flown a commercial airline. The Company incurred expenses of approximately \$30,000, \$39,000 and \$26,000 for the twelve-months ended August 31, 2011, 2010 and 2009, respectively, for these services.

Relationship with Robert Price: In December 2009, Robert E. Price, the Company's Chairman of the Board, contributed approximately \$396,000 in capital to the Company to fund a special holiday bonus to PriceSmart's non-management employees in memory of the Company's founder, Sol Price. For the twelve months ended August 31, 2010 and 2011, no contributions were made by Robert Price.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Relationships with Edgar Zurcher: Edgar Zurcher was a director of the Company from November 2000 until February 2008. Mr. Zurcher resigned from the Company's board of directors on February 8, 2008. On October 6, 2009, the Company's Board of Directors resolved to elect Mr. Zurcher to the Board effective October 15, 2009 to fill the vacancy following the resignation of a member of the Board. The Company has accordingly recorded and disclosed related-party expense or income related to the relationships with Edgar Zurcher for the twelve months ended August 31, 2011, 2010 and 2009. Mr. Zurcher is a partner in a law firm that the Company utilizes in certain legal matters. The Company incurred approximately \$63,000, \$64,000 and \$30,000 in legal expenses with this firm for the twelve-months ended August 31, 2011, 2010 and 2009, respectively. Mr. Zurcher is also a director of a company that owns 40% of Payless ShoeSource Holdings, Ltd., which rents retail space from the Company. The Company has recorded approximately \$1.3 million, \$1.2 million, and \$1.3 million in rental income for this space during the twelve-months ended August 31, 2011, 2010 and 2009, respectively. Additionally, Mr. Zurcher is a director of Molinos de Costa Rica Pasta. The Company paid approximately \$313,000, \$271,000 and \$235,000 for products purchased from this entity during the twelve-months ended August 31, 2011, 2010 and 2009, respectively. Also, Mr. Zurcher is a director of Roma S.A. dba Roma Prince S.A. PriceSmart purchased products from this entity for approximately \$1.7 million, \$2.0 million and \$3.8 million for the twelve-months ended August 31, 2011, 2010 and 2009, respectively.

Relationship with Gonzalo Barrutieta: Gonzalo Barrutieta has been a director of the Company since February 2008. Mr. Barrutieta is a member of the Board of Directors of Office Depot Mexico, which operates Office Depot Panama, which rents retail space from the Company. The Company has recorded approximately \$246,000, \$242,000 and \$240,000 in rental income and common area maintenance charges for this space during the twelve-months ended August 31, 2011, 2010, and 2009, respectively. Additionally, the Company sold to OD Panama, S.A. approximately 2,600 square meters of undeveloped land, located adjacent to the Panama, Via Brasil PriceSmart location, for approximately \$2.1 million during the fiscal year ended August 31, 2011. Also during the fiscal year ended August 31, 2011 the Company's joint venture Golf Park Plaza, S.A. ("GPP") and Office Depot Panama entered into a 30 year lease, with an option to buy, approximately 2,400 square meters of land, as to which Office Depot Panama: (i) made an initial rental pre-payment to GPP in the sum of approximately \$545,000 at the time of signing the lease agreement; (ii) will pay an additional sum of approximately \$436,000 in prepaid rent at the time the building is completed and opened to the public or 365 days from execution of the contract, whichever occurs first; (iii) will pay monthly rent of \$1,000 per month starting 365 days from execution of the contract or at the time the building is complete and open to the public, whichever occurs first; and (iv) would pay an additional balance due of approximately \$109,000 less any rental payments previously applied on the lease of the land if and when Office Depot exercises its option to purchase the land.

Relationships with Price Charities: During the twelve months ended August 31, 2011, 2010 and 2009, the Company sold approximately \$86,000, \$106,000 and \$77,000, respectively, of supplies to Price Charities, a charitable non-profit public benefit corporation. Robert E. Price, the Company's Chairman of the Board, is also a board member of Price Charities. The Company also participates with Price Charities in a charitable program known as "Aprender y Crecer" ("Learn and Grow"), by allowing PriceSmart members to donate money in the warehouse clubs to that program. The Company collaborates with Price Charities and local charitable groups to use these donations to acquire and deliver supplies to schools in the communities surrounding PriceSmart clubs. The liability for donations received was approximately \$13,000 as of August 31, 2011. No liability was owed as of August 31, 2010.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Relationships with Price Plaza Alajuela PPA, S.A.: The Company earned income of approximately \$3,000 and \$67,000 for advisory and construction service fees during the twelve-months ended August 31, 2010 and 2009 from Price Plaza Alajuela, S.A. (see Note 17 - Unconsolidated Affiliates). The Company did not record any income during the twelve-months ended August 31, 2011. On October 7, 2010, the Company completed an adjustment to the property boundaries between property owned by the Company at its Alajuela, Costa Rica warehouse club and property owned by Price Plaza Alajuela. The purpose of the adjustment to these boundaries is to adjust the land boundaries so that the land parcels owned by each entity can be utilized in the most economical means. The net effect of the realignment was that the Company purchased an additional 2,099 square feet of land for approximately \$38,000.

Relationships with GolfPark Plaza, S.A.: During fiscal year 2010, the Company earned income of approximately \$23,000 for advisory and construction service fees from GolfPark Plaza, S.A. (see Note 17 - Unconsolidated Affiliates). The Company did not record any income during fiscal year 2011.

The Company believes that each of the related-party transactions described above was on terms that the Company could have obtained from unaffiliated parties.

NOTE 17 – UNCONSOLIDATED AFFILIATES

The Company determines whether any of the joint ventures in which it has made investments is a Variable Interest Entity ("VIE") at the start of each new venture and if a reconsideration event has occurred. At this time, the Company also considers whether it must consolidate a VIE and/or disclose information about its involvement in a VIE. A reporting entity must consolidate a VIE if that reporting entity has a variable interest (or combination of variable interests) that will absorb a majority of the VIE's expected losses, receive a majority of the VIE's expected residual returns, or both. A reporting entity must consider the rights and obligations conveyed by its variable interests and the relationship of its variable interests with variable interests held by other parties to determine whether its variable interests will absorb a majority of a VIE's expected losses, receive a majority of the VIE's expected residual returns, or both. The reporting entity that consolidates a VIE is called the primary beneficiary of that VIE. Due to the initial nature of the joint ventures (GolfPark Plaza, Price Plaza Alajuela and Newco2) and the continued commitments for additional financing, the Company determined these joint ventures are VIEs. Since all rights and obligations are equally absorbed by both parties within each joint venture, the Company has determined that it is not the primary beneficiary of the VIEs and, therefore, has accounted for these entities under the equity method.

Under the equity method, the Company's investments in unconsolidated affiliates are initially recorded as an investment in the stock of an investee at cost and are adjusted for the carrying amount of the investment to recognize the investor's share of the earnings or losses of the investee after the date of the initial investment.

On September 24, 2008, the Company entered into an agreement with an entity controlled by local Panamanian businessmen, Fundacion Tempus Fugit S.A. ("FIDAU"), to jointly own and operate a commercial retail center adjacent to its new PriceSmart warehouse club, with the Company and FIDAU each owning a 50% interest in the entity, GolfPark Plaza, S.A. The Company purchased a 50% interest in GolfPark Plaza for approximately \$4.6 million. On September 24, 2008, GolfPark Plaza acquired 412,594 square feet of real estate for the construction of a retail center.

On September 29, 2008, the Company entered into an agreement with an entity controlled by local Costa Rican businessmen, JB Enterprises ("JBE"), to jointly own and operate a commercial retail center adjacent to the anticipated new PriceSmart warehouse club in Alajuela, Costa Rica, with the Company and JBE each owning a 50% interest in the joint venture, Price Plaza Alajuela, S.A. ("PPA"). Also, on September 29, 2008, PPA acquired 232,244 square feet of real estate for the construction of a retail center. The Company recorded an initial investment in PPA of approximately \$2.2 million.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

On September 29, 2008, the Company entered into a second agreement with an entity controlled by local Costa Rican businessmen, Prico Enterprises ("Prico"), to jointly own property adjacent to the anticipated new PriceSmart warehouse club in Alajuela and the retail center to be owned and operated by PPA, with the Company and Prico each owning a 50% interest in the joint venture, Newco2. Also, on September 29, 2008, 53,777 square feet of real estate were acquired by this entity. The Company recorded an initial investment in this joint venture of approximately \$424,000. The Company obtained a three-year, zero interest loan from Prico to finance the acquisition of its noncontrolling interest for approximately \$475,000. The Company recorded the discounted present value of this loan of approximately \$409,000 as part of its original investment in the joint venture. The deemed interest on the loan is amortized monthly, with the interest charged to interest expense and the resulting liability credited to the loan payable balance. The Company has reflected this amount as long-term debt, current portion within its consolidated balance sheet as of August 31, 2011 and as long-term debt, net of current portion, as of August 31, 2011. As a result of the loan, the shares of the Company are held within a trust, established as part of the loan agreement with Prico. As of August 31, 2011, there are no commitments to make additional capital contributions to this joint venture.

The table below summarizes the Company's interest in the VIEs and the Company's maximum exposure to loss as a result of its involvement with the VIEs as of August 31, 2011 (in thousands):

| Entity | Initial Investment | Additional Contributions | Net Loss Inception to Date | Company's Variable Interest in Entity | Commitment to Future Additional Contributions(1) | Company's Maximum Exposure to Loss in Entity(2) |
|----------------------------|--------------------|--------------------------|----------------------------|---------------------------------------|--|---|
| GolfPark Plaza, S.A. | 4,616 | 483 | (55) | 5,044 | 2,018 | 7,062 |
| Price Plaza Alajuela, S.A. | 2,193 | 377 | (35) | 2,535 | 1,645 | 4,180 |
| Newco2(4) | 424 | 64 | (4) | 484 | — | 484 (3) |
| Total | 7,233 | 924 | (94) | 8,063 | 3,663 | 11,726 |

(1) The parties intend to seek alternate financing for the project, which could reduce the amount of additional capital each party would be required to provide. The parties may mutually agree on changes to the project, which could increase or decrease the amount of capital each party is required to contribute.

(2) The maximum exposure is determined by adding the Company's variable interest in the entity and any explicit or implicit arrangements that could require the Company to provide additional financial support.

(3) The amount includes the imputed interest on the loan from Prico.

(4) On September 29, 2011, the Company exercised its option to cancel its participation in its agreement with Prico to jointly own Newco2 (See Note 19 – Subsequent Events).

The summarized financial information of the unconsolidated affiliates is as follows (in thousands):

August 31,

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| | August 31, | |
|------------------------|---------------|--------|
| | 2011 | 2010 |
| Current assets | \$ 1,294 | \$ 404 |
| Noncurrent assets | 6,662 | 6,608 |
| Current liabilities | 1,003 | 27 |
| Noncurrent liabilities | — | — |

| | Years Ended August 31, | | |
|----------|------------------------|---------|---------|
| | 2011 | 2010 | 2009 |
| Net loss | \$ (104) | \$ (44) | \$ (41) |

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 18 – SEGMENTS

The Company and its subsidiaries are principally engaged in the international operation of membership shopping warehouse clubs in 13 countries/territories that are located in Latin America and the Caribbean. In addition, the Company operates distribution centers and corporate offices in the United States. The Company's reportable segments are based on management's organization of these locations into operating segments by general geographic location, used by management in setting up management lines of responsibility, providing support services, and making operational decisions and assessments of financial performance. The Company's operating segments are the United States, Latin America and the Caribbean. Segment amounts are presented after converting to U.S. dollars and consolidating eliminations. Certain revenues and operating costs included in the United States segment have not been allocated, as it is impractical to do so.

As of August 31, 2010, the Company changed the "Central America" operating segment to the "Latin America" operating segment to reflect the inclusion of Colombia within the general geographic area of the Company's operations.

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

| | United States Operations | Latin American Operations | Caribbean Operations | Reconciling Items(1) | Total |
|--|--------------------------------|---------------------------------|-------------------------|-------------------------|--------------|
| Twelve-Month Period Ended August 31, 2011 | | | | | |
| Revenue from external customers | \$ 8,892 | \$ 1,081,830 | \$ 623,525 | \$ — | \$ 1,714,247 |
| Intersegment revenues | 638,684 | — | 4,875 | (643,559) | — |
| Depreciation and amortization(2) | (1,171) | (11,683) | (8,300) | — | (21,154) |
| Operating income | 25,224 | 49,499 | 16,157 | — | 90,880 |
| Interest income from external sources | 117 | 624 | 111 | — | 852 |
| Interest income from intersegment sources | 2,946 | 1,076 | 290 | (4,312) | — |
| Interest expense from external sources | (77) | (2,648) | (1,191) | — | (3,916) |
| Interest expense from intersegment sources | — | (1,164) | (3,148) | 4,312 | — |
| Provision for income taxes(3) | (5,357) | (18,539) | (3,572) | — | (27,468) |
| Net income attributable to PriceSmart | 22,753 | 30,471 | 8,526 | — | 61,750 |
| Long-lived assets (other than deferred tax assets) | 38,601 | 192,594 | 123,356 | — | 354,551 |
| Goodwill | — | 32,152 | 5,209 | — | 37,361 |
| Investment in Equity Method Investees | — | 8,063 | — | — | 8,063 |
| Identifiable assets | 63,154 | 388,325 | 212,849 | — | 664,328 |
| Capital expenditures, net | 4,979 | 28,940 | 13,114 | — | 47,033 |
| Twelve-Month Period Ended August 31, 2010 | | | | | |
| Revenue from external customers | \$ 4,199 | \$ 856,994 | \$ 534,698 | \$ — | \$ 1,395,891 |
| Intersegment revenues | 487,042 | — | 3,923 | (490,965) | — |
| Depreciation and amortization | (953) | (8,341) | (5,966) | — | (15,260) |
| Operating income | 16,243 | 41,967 | 16,683 | — | 74,893 |
| Interest income from external sources | 135 | 306 | 112 | — | 553 |
| Interest income from intersegment sources | 3,378 | 1,057 | 417 | (4,852) | — |
| Interest expense from external sources | (28) | (2,288) | (407) | — | (2,723) |

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| | | | | | |
|--|----------|------------|------------|-----------|--------------|
| Interest expense from intersegment sources | (120) | (1,900) | (2,832) | 4,852 | — |
| Provision for income taxes | (6,742) | (11,466) | (4,579) | — | (22,787) |
| Net income attributable to PriceSmart | 12,882 | 27,294 | 9,139 | — | 49,315 |
| Long-lived assets (other than deferred tax assets) | 27,484 | 173,968 | 119,635 | — | 321,087 |
| Goodwill | — | 32,247 | 5,224 | — | 37,471 |
| Investment in Equity Method Investees | — | 8,091 | — | — | 8,091 |
| Identifiable assets | 65,635 | 305,429 | 201,501 | — | 572,565 |
| Capital expenditures, net | 4,283 | 15,400 | 30,524 | — | 50,207 |
| Twelve- Month Period Ended August 31, 2009 | | | | | |
| Revenue from external customers | \$ 3,740 | \$ 741,133 | \$ 506,755 | \$ — | \$ 1,251,628 |
| Intersegment revenues | 409,840 | — | 3,349 | (413,189) | — |
| Depreciation and amortization | (983) | (7,830) | (5,085) | — | (13,898) |
| Operating income | 3,823 | 32,601 | 21,060 | — | 57,484 |
| Interest income from external sources | 148 | 186 | 123 | — | 457 |
| Interest income from intersegment sources | 3,769 | 824 | — | (4,593) | — |
| Interest expense from external sources | (29) | (692) | (979) | — | (1,700) |
| Interest expense from intersegment sources | (126) | (2,778) | (1,689) | 4,593 | — |
| Provision for income taxes | (2,128) | (9,059) | (1,882) | — | (13,069) |
| Net income attributable to PriceSmart | 5,690 | 20,879 | 15,750 | — | 42,319 |
| Long-lived assets (other than deferred tax assets) | 27,309 | 159,607 | 94,737 | — | 281,653 |
| Goodwill | — | 32,394 | 5,144 | — | 37,538 |
| Investment in Equity Method Investees | — | 7,658 | — | — | 7,658 |
| Identifiable assets | 43,544 | 277,481 | 166,348 | — | 487,373 |
| Capital expenditures, net | 1,948 | 26,080 | 21,319 | — | 49,347 |

(1) The reconciling items reflect the amount eliminated on consolidation of intersegment transactions.

(2) Includes a \$2.6 million error that increased expense in the Latin America operations related to prior periods. See Note 1 - Company Overview and Basis of Presentation.

(3) Includes a \$3.2 million error that decreased expense in the United States operations related to prior periods. See Note 1 - Company Overview and Basis of Presentation.

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 19 – SUBSEQUENT EVENTS

The Company has evaluated all events subsequent to the balance sheet date of August 31, 2011 through the date of issuance of these consolidated financial statements and have determined that, except as set forth below, there are no subsequent events that require disclosure.

Loan and cross-currency interest rate swap agreements

On March 14, 2011 the Company's Colombia subsidiary entered into a loan agreement with Scotiabank & Trust (Cayman) Ltd. The agreement establishes a credit facility for \$16.0 million to be disbursed in several tranches. The interest rate is set at the three-month LIBOR rate plus 0.7%. The loan term is five years with interest only payments and a balloon payment at maturity. This loan is secured by a time deposit of \$16.0 million pledged by the Company's Costa Rican subsidiary. The deposit will earn an interest rate of three-month LIBOR. The first tranche of \$8.0 million was funded on April 1, 2011, and the Company secured this portion of the loan with an \$8.0 million secured time deposit. The second tranche of \$2.0 million was funded on July 28, 2011, and the Company secured this portion of the loan with a \$2.0 million secured time deposit. Subsequent to August 31, 2011 the Company drew down the third and final tranche of \$6.0 million on September 29, 2011 and the Company secured this portion of the loan with a \$6.0 million secured time deposit.

The Company's Colombia subsidiary has subsequently entered into cross-currency interest rate swap agreements dated October 21, 2011 with the Bank of Nova Scotia with respect to notional amounts of U.S dollar \$2.0 million and U.S dollar \$6.0 million, respectively. On the first of these additional swaps, the Company will receive variable U.S dollar interest based on the three-month LIBOR rate plus 0.7% on a notional of U.S. \$2.0 million ("the floating leg") and pay fixed COP interest of 5.30% on a notional of COP 3,801,600,000 ("the fixed leg") for a term of approximately five years (Effective date of July 29, 2011 through April 1, 2016). On the second of these swaps, the Company will receive variable U.S dollar interest based on the three-month LIBOR rate plus 0.7% on a notional of U.S. \$6.0 million ("the floating leg") and pay fixed COP interest of 5.45% on a notional of COP 11,404,800,000 ("the fixed leg") for a term of approximately five years (effective date of September 29, 2011 through April 1, 2016).

Cancellation of equity participation in joint venture agreement

On September 29, 2011 the Company exercised its option to cancel its participation in its agreement with an entity controlled by local Costa Rican businessmen, Prico Enterprises ("Prico"), to jointly own property adjacent to the new PriceSmart warehouse club in Alajuela and the retail center to be owned and operated by PPA, with the Company and Prico each owning a 50% interest in the joint venture, Newco2. To finance the investment, the Company obtained a three year, zero interest loan from Prico for approximately \$475,000. The Company recorded the discounted present value of this loan of approximately \$409,000 as part of its original investment in the joint venture. The deemed interest on the loan was amortized monthly, with the interest charged to interest expense. As a result of the Company's exercising its option to cancel its participation in Newco2, the Company recorded the cancellation of the loan payable for approximately \$475,000 on September 29, 2011 by releasing to Prico Enterprises the shares of Newco2 held within the trust established as part of the original loan agreement. As a result of this exercise the Company no longer has any interest in the joint venture Newco2.

NOTE 20 – QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Summarized quarterly financial information for fiscal years 2011 and 2010 is as follows:

| Fiscal Year 2011 (in thousands, except per share data) | Nov. 30, 2010 | Three Months Ended, | | | Year Ended |
|--|------------------|---------------------|-----------------|------------------|------------------|
| | Nov. 30, 2010 | Feb. 28, 2011 | May 31, 2011 | Aug. 31, 2011 | Aug. 31, 2011 |
| Total net warehouse club and export sales | \$ 378,740 | \$ 442,135 | \$ 423,527 | \$ 439,676 | \$ 1,684,078 |
| Total cost of goods sold | 319,157 | 376,331 | 360,339 | 374,877 | 1,430,704 |
| Net income attributable to PriceSmart from continuing operations | 14,846 | 18,010 | 16,365 | 12,615 | 61,836 |
| Discontinued operations, net of tax | 7 | (93) | (75) | 75 | (86) |
| Net income attributable to PriceSmart | 14,853 | 17,917 | 16,290 | 12,690 | 61,750 |
| Basic income per share | \$ 0.50 | \$ 0.60 | \$ 0.55 | \$ 0.42 | \$ 2.07 |
| Diluted income per share | \$ 0.50 | \$ 0.60 | \$ 0.55 | \$ 0.42 | \$ 2.07 |
| | | | | | |
| Fiscal Year 2010 (in thousands, except per share data) | Nov. 30, 2009 | Three Months Ended, | | | Year Ended |
| | Nov. 30, 2009 | Feb. 28, 2010 | May 31, 2010 | Aug. 31, 2010 | Aug. 31, 2010 |
| Total net warehouse club and export sales | \$ 309,240 | \$ 359,899 | \$ 342,083 | \$ 358,718 | \$ 1,369,940 |
| Total cost of goods sold | 262,271 | 305,802 | 289,114 | 303,077 | 1,160,264 |
| Net income attributable to PriceSmart from continuing operations | 10,368 | 13,662 | 12,028 | 13,241 | 49,299 |
| Discontinued operations, net of tax | 9 | 35 | (4) | (24) | 16 |
| Net income attributable to PriceSmart | 10,377 | 13,697 | 12,024 | 13,217 | 49,315 |
| Basic income per share | \$ 0.35 | \$ 0.46 | \$ 0.40 | \$ 0.45 | \$ 1.66 |
| Diluted income per share | \$ 0.35 | \$ 0.46 | \$ 0.40 | \$ 0.44 | \$ 1.65 |

