PRICESMART INC
Form 10-K
October 30, 2012

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

FORM 10-K
(Mark One)
xANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended August 31, 2012

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 of incorporation or organization) | (I.R.S. Employer Identification Number) |

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 þ 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 þ

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 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 þ 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 þ 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. þ

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 þ | 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 þ

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 $1,307,573,091, based on the last reported sale price of $64.63 per share on the NASDAQ Global Select Market on February 29, 2012.

As of October 19, 2012, 30,209,555 shares of Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Annual Report for the fiscal year ended August 31, 2012 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 22, 2013 are incorporated by reference into Part III of this Form 10-K.

PRICESMART, INC.

ANNUAL REPORT ON FORM 10-K FOR
THE FISCAL YEAR ENDED AUGUST 31, 2012

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PART I

Item 1. Business

General

This Form 10-K contains forward-looking statements concerning PriceSmart, Inc.'s (“PriceSmart” or the “Company”) 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,” “proje “estimate,” “anticipated,” “scheduled” and like expressions, and the negative thereof. These statements are subject to risks and uncertainties that could cause actual results to differ materially from the statements, including foreign exchange risks, political or economic instability of host countries, and competition, as well as those risks described in the Company's U.S. Securities and Exchange Commission reports, including the risk factors referenced in this Form 10-K. See Part I, Item 1A “Risk Factors.”

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 Company's ownership in all subsidiaries as of August 31, 2012 is 100%, and they are presented on a consolidated basis as wholly owned subsidiaries. The number of warehouse clubs in operation, as of August 31, 2012 and 2011, for each country or territory are as follows:

| Country/Territory | Number of Warehouse Clubs in Operation as of August 31, 2012 | Number of Warehouse Clubs in Operation as of August 31, 2011 | Anticipated warehouse club openings in fiscal year 2013 |
|---|---|---|---|
| Colombia | 1 | 1 | 2 |
| Panama | 4 | 4 | — |
| Costa Rica | 5 | 5 | — |
| Dominican Republic | 3 | 3 | — |
| Guatemala | 3 | 3 | — |
| El Salvador | 2 | 2 | — |
| Honduras | 2 | 2 | — |
| Trinidad | 4 | 4 | — |
| Aruba | 1 | 1 | — |
| Barbados | 1 | 1 | — |
| U.S. Virgin Islands | 1 | 1 | — |
| Jamaica | 1 | 1 | — |
| Nicaragua | 1 | 1 | — |
| Totals | 29 | 29 | 2 |

On December 14, 2011, the Company acquired land in south Cali, Colombia, upon which it opened a new warehouse club on October 19, 2012. Additionally, on January 9, 2012 the Company entered into an agreement to acquire property located in La Union, Cartago, Costa Rica, upon which the Company anticipates constructing its sixth membership warehouse club in Costa Rica. The Company currently anticipates opening this club in the fall of calendar year 2013. Finally, on March 15, 2012, the Company acquired land in north Cali, Colombia upon which it anticipates opening a new warehouse club, currently under construction, in the spring of calendar year 2013.

During fiscal year 2011, the Company opened a new warehouse club in Santo Domingo, Dominican Republic ("Arroyo Hondo") on November 5, 2010. In addition, the Company also opened a new membership warehouse club in Barranquilla, Colombia on August 19, 2011.

As of August 31, 2012 and 2011, the total number of warehouse clubs in operation was 29, operating in 12 countries and one U.S. territory. The average age of the 29 warehouse clubs in operation was 119 and 110 months as of August 31, 2012, and 2011, respectively. The Company also continues to export product to the Philippines.

In addition to the warehouse clubs operated directly by the Company, during fiscal year 2011, 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 no longer receives royalty fees and now has no third party licensing agreements.

International Warehouse Club Business

The Company owns and operates U.S.-style membership shopping warehouse clubs through wholly owned subsidiaries operating in Latin America and the Caribbean using the trade name “PriceSmart.” The warehouse clubs sell basic high quality consumer goods at low prices to individuals and businesses. Sales are typically comprised of approximately 50.2% U.S. and other internationally sourced merchandise and approximately 49.8% locally sourced merchandise. By offering low prices on high quality brand name and private label merchandise to its members, the warehouse clubs seek to generate sufficient sales volumes to operate profitably at relatively low gross profit margins.

The Company ships its U.S. and other internationally sourced merchandise directly to its warehouse clubs or to the Company’s consolidation points (“distribution centers”). The goods are allocated for container-based shipment via ocean freight from the distribution centers to the Company’s warehouse clubs, thereby maximizing freight volume per shipment in order to lower supply chain costs.

The typical no-frills warehouse club-type buildings range in size from 48,000 to 84,000 square feet and are located primarily in urban areas to take advantage of dense populations and relatively higher levels of disposable income. Product selection includes perishable foods and basic consumer products. Ancillary services include food courts in all clubs; and include tire and photo centers in some clubs. Substantially all shoppers pay an annual membership fee.

Business Strategy

PriceSmart's mission is to efficiently operate U.S.-style membership warehouse clubs in selected Latin American and Caribbean markets, selling high quality merchandise at low prices to PriceSmart members and to provide fair wages and benefits to PriceSmart employees, as well as a fair return to PriceSmart stockholders. The Company sells U.S. brand-name, private label, and locally sourced 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 increase membership.

Generally, the Company's earnings and cash flow from operations improve as sales increase. Higher sales provide greater purchasing power and often result in lower product prices from the Company's suppliers. As the Company's and individual PriceSmart locations' sales volumes increase, operating efficiencies are often realized through the leveraging of fixed costs and by the introduction of more efficient operating processes. Further, increased sales permit the Company to leverage its selling, general and administrative expenses. The combination of annual membership fees, operating efficiencies and low margins enable PriceSmart to offer its members high quality merchandise at very competitive prices which, in turn, enhances the value of the PriceSmart membership. The Company seeks to increase sales by adding new PriceSmart locations both in existing markets and new markets where management believes new locations will provide long-range value to both our members and our stockholders. From time to time the Company expands existing locations and makes other improvements to existing locations in order to enhance the value of our members' shopping experience.

Membership Policy

PriceSmart believes that membership reinforces customer loyalty. In addition, membership fees provide a continuing source of revenue, which is passed on to its members in the form of lower prices on merchandise. PriceSmart has two types of members: Business and Diamond (individual).

Effective June 1, 2012, the Company raised the annual membership fee by approximately $5.00 in most markets. The annual fee for a Diamond membership in these markets is now approximately $35.00 (entitling members to two cards). A membership fee enables PriceSmart to offer its high quality merchandise at low prices providing value to its members. With this membership fee increase, PriceSmart will be able to offer continued excellent value to its members in their future purchases.

Businesses qualify for Business membership. PriceSmart promotes Business membership through its marketing programs and by offering products primarily targeted to small businesses like restaurants, hotels and convenience stores. Business members pay an annual membership fee of approximately $25 for a primary and secondary membership card and approximately $10 for additional add-on membership cards. Currently, the average fee per membership account for both Diamond and Business membership is approximately $30.

The Company recognizes membership income over the 12-month term of the membership. Deferred membership income is presented separately on the consolidated balance sheet and totaled $13.7 million and $11.4 million as of August 31, 2012 and 2011, respectively. PriceSmart's membership agreements contain an express right to refund the remaining portion of the annual fee if its customers are dissatisfied with their membership. The Company's historical rate of membership fee refunds has been approximately 0.5% of membership income.

Expansion Plans

The Company focuses its management attention on improving the operations of its current locations and believes that its existing sites provide the opportunity for continued growth in sales and profitability. In several existing warehouse clubs, the Company has undertaken expansions, reconfiguration and related improvements, all of which are designed to provide additional merchandise selling space and increase the capacity of our clubs to service our members and increase sales. During fiscal year 2012, the Company invested approximately $21.6 million in a number of warehouse clubs for these expansions and improvements.

The Company continues to explore and evaluate potential options for new sites in the countries in which it has already established a strong market presence and in Colombia. During fiscal year 2012, the Company acquired land in south Cali, Colombia, on December 14, 2011, upon which it opened a new warehouse club on October 19, 2012. Additionally, on January 9, 2012 the Company entered into an agreement to acquire property located in La Union, Cartago, Costa Rica, upon which the Company anticipates constructing its sixth membership warehouse club in Costa Rica. The Company currently anticipates opening this club in the fall of calendar year 2013. Finally, on March 15, 2012 the Company acquired land in north Cali, Colombia upon which it anticipates opening a new warehouse club in the spring of calendar year 2013.

Intellectual Property Rights

It is the Company's policy to obtain appropriate proprietary rights protection for trademarks by filing applications for registration of eligible trademarks with the U.S. Patent and Trademark Office and in certain foreign countries. The Company relies on copyright and trade secret laws to protect its proprietary rights. The Company attempts to protect its trade secrets and other proprietary information through agreements with its employees, consultants and suppliers and other similar measures. There can be no assurance, however, that the Company will be successful in protecting its proprietary rights. While management believes that the Company's trademarks, copyrights and other proprietary know-how have significant value, changing technology and the competitive marketplace make the Company's future success dependent principally upon its employees' technical competence and creative skills for continuing innovation.

In August 1999, the Company and Associated Wholesale Grocers, Inc. (“AWG”) entered into an agreement regarding the trademark “PriceSmart” and related marks containing the name “PriceSmart.” The Company agreed not to use the “PriceSmart” mark or any related marks containing the name “PriceSmart” in connection with the sale or offer for sale of any goods or services within AWG's territory of operations, including the following ten states: Kansas, Missouri, Arkansas, Oklahoma, Nebraska, Iowa, Texas, Illinois, Tennessee and Kentucky. The Company, however, may use the mark “PriceSmart” or any mark containing the name “PriceSmart” on the internet or any other global computer network whether within or outside such territory, and in any national advertising campaign that cannot reasonably exclude the territory, and the Company may use the mark in connection with various travel services. AWG has agreed not to oppose any trademark applications filed by the Company for registration of the mark “PriceSmart” or related marks containing the name “PriceSmart,” and AWG has further agreed not to bring any action for trademark infringement against the Company based upon the Company's use outside the territory (or with respect to the permitted uses inside the territory) of the mark “PriceSmart” or related marks containing the name “PriceSmart.”

Competition

The Company’s international merchandising business competes with a wide range of international, regional, national and local retailers and wholesalers. The Company’s industry is highly competitive, based on factors such as price, merchandise quality and selection, warehouse location and member service. Some of the Company’s competitors may have greater resources, buying power and name recognition. 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 within the Company’s markets. In addition, the local Costa Rican press has reported that Sam's Club plans to build and operate its first warehouse club within the Costa Rican market, but there has been no announcement by Wal-Mart. These actions may result in increased competition within the Company’s markets. Further, it is possible that additional 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.

Employees

As of August 31, 2012, the Company and its consolidated subsidiaries had a total of 5,752 employees. Approximately 95% of the Company's employees were employed outside of the United States.

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.

Other Information

PriceSmart, Inc. was incorporated in the State of Delaware in 1994. The Company’s principal executive offices are located at 9740 Scranton Road, San Diego, California 92121. The Company’s telephone number is (858) 404-8800. The Company’s website home page on the Internet is www.pricesmart.com. The Company makes its website content available for information purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference into this Form 10-K.

Item 1A. Risk Factors

In evaluating the Company's business, you should consider the following discussion of risk factors, in addition to other information contained in this report as well as the Company's other public filings with the U.S. Securities and Exchange Commission.

The Company's financial performance is dependent on international operations, which exposes it to various risks. The Company's international operations account for nearly all of the Company's total revenues. The Company's financial performance is subject to risks inherent in operating and expanding the Company's international membership warehouse club business, which include: (i) changes in and interpretation of tariff and tax laws and regulations, as well as inconsistent enforcement of laws and regulations; (ii) the imposition of foreign and domestic governmental controls; (iii) trade restrictions; (iv) difficulty and costs associated with international sales and the administration of an international merchandising business; (v) thefts, and the general level of crime or concern over security; (vi) product registration, permitting and regulatory compliance; (vii) volatility in foreign currency exchange rates; and (viii) general political as well as economic and business conditions. For example, during fiscal year 2009, Honduras experienced a period of political unrest resulting in street demonstrations and government mandated curfews that caused the Company's Honduras operations to experience some disruption, with store hours being reduced consistent with the curfews. Similar circumstances may arise elsewhere and result in disruption of the Company’s sales, banking transactions, operations, merchandise shipments, and currency exchange rates, any of which could have a material adverse effect on the Company's business and results of operations.

Any failure by the Company to manage its widely dispersed operations could adversely affect the Company's business. As of August 31, 2012, the Company had in operation 29 warehouse clubs 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). The Company will need to continually evaluate the adequacy of the Company's existing personnel, systems and procedures, including warehouse management and financial and inventory control. Moreover, the Company will be required to continually analyze the sufficiency of the Company's inventory distribution channels and systems and may require additional or expanded facilities in order to support the Company's operations. The Company may not adequately anticipate all the changing demands that will be imposed on these systems. Any inability or failure to retain effective personnel or to update the Company's internal systems or procedures as required could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company faces significant competition. The Company's international merchandising businesses compete with exporters, wholesalers, local retailers and trading companies in various international markets. Some of the Company's competitors may have greater resources, buying power and name recognition. 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, home improvement centers, electronic retailers and specialty stores, including those within Latin America that are owned and operated by a large U.S. based retailer. 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. The local Costa Rican press has reported that Sam's Club plans to build and operate its first warehouse club within the Costa Rican market, but there has been no announcement by Wal-Mart. The Company may be required to implement price reductions in order to remain competitive should any of the Company's competitors reduce prices in any of the Company's markets. Moreover, the Company's ability to operate profitably in its markets, particularly small markets, may be adversely affected by the existence or entry of competing warehouse clubs or discount retailers.

Future sales growth could be dependent upon the Company acquiring suitable sites for additional warehouse clubs. While the Company continues to increase warehouse sales in its existing locations (so-called "comparable warehouse club sales"), there can be no assurance that the rate of growth in those existing locations will continue at the rate experienced in the past due to, among other things, the physical limitations of the warehouse clubs, the amount of merchandise that can be safely stored and displayed in the warehouse clubs, and the number of members that can be accommodated during business hours. As a result, future sales growth for the Company may require that additional warehouse clubs be opened and operated. Land for purchase or buildings to be leased, in the size, and locations that would be suitable for new PriceSmart warehouse clubs may not be available or financially feasible. Limitations on the availability of appropriate sites for new warehouse clubs in the areas targeted by the Company could have a material adverse effect on the future growth of the Company.

The Company faces difficulties in the shipment of, and inherent risks in the acquisition and importation of, merchandise to its warehouse clubs. The Company's warehouse clubs typically import nearly half or more of the merchandise that they sell, which originates from various countries and is transported over long distances, typically over water, which results in: (i) substantial lead times needed between the procurement and delivery of product, thus complicating merchandising and inventory control methods; (ii) the possible loss of product due to theft or potential damage to, or destruction of, ships or containers delivering goods; (iii) product markdowns as a result of it being cost prohibitive to return merchandise upon importation; (iv) product registration, tariffs, customs and shipping regulation issues in the locations the Company ships to and from; and (v) ocean freight and duty costs. Moreover, each country in which the Company operates has different governmental rules and regulations regarding the importation of foreign products. Changes to the rules and regulations governing the importation of merchandise may result in additional delays, costs or barriers in the Company's deliveries of products to its warehouse clubs or may affect the type of products it selects to import. In addition, only a limited number of transportation companies service the Company's regions. The inability or failure of one or more key transportation companies to provide transportation services to the Company, any collusion among the transportation companies regarding shipping prices or terms, changes in the regulations that govern shipping tariffs or the importation of products, or any other disruption in the Company's ability to transport the Company's merchandise could have a material adverse effect on the Company's business and results of operations. In addition, the Company acquires merchandise sold within its warehouse clubs from a number of suppliers, including large multi-national suppliers who sometimes also operate through local subsidiaries and distributors. The manner in which the Company acquires merchandise, either directly from the parent company or through a local subsidiary or distributor, is subject to change from time to time based on changes initiated by the supplier and for reasons beyond the control of the Company. Significant changes or disruptions in how the Company acquires merchandise from these suppliers could negatively affect the Company's access to such merchandise, as well as the cost of merchandise to the Company and hence its members, which could have a material adverse effect on the Company's business and results of operations.

The Company is exposed to weather and other natural disaster risks. The Company's operations are subject to volatile weather conditions and natural disasters, such as earthquakes and hurricanes, which are encountered in the regions in which the Company's warehouse clubs are located and which could result in significant damage to, destruction of, or temporary closure of, the Company's warehouse clubs. Warehouse club closures associated with heavy rains, local flooding and government advisories to stay off the roads during a natural disaster, such as a hurricane, could result in many days of lost sales. Similar risks could negatively affect the Company's business if they were to impact any of various points on its international merchandise distribution chain, such as distribution centers or ports of origin or destination. Losses from business interruption may not be adequately compensated by insurance and could have a material adverse effect on the Company's business, financial condition and results of operations.

General economic conditions could adversely impact the Company's business in various respects. A slowdown in the U.S. and international economies or other economic conditions affecting discretionary consumer spending, such as employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, interest rates, tax rates, consumer spending patterns, customer preferences and other economic factors in each of the Company's foreign markets may adversely affect its business by reducing overall consumer purchasing power and could negatively impact the Company's growth, sales and profitability. In addition, a significant decline in the economies of the countries in which the Company's warehouse clubs are located may lead to increased governmental ownership or regulation of the economy, higher interest rates, increased barriers to entry such as higher tariffs and taxes, and reduced demand for goods manufactured in the United States. Factors such as declining expatriate remittances, reduced tourism, and less foreign investment could negatively impact the economies of Latin America and the Caribbean. The current general global economic instability, the potential for further economic dislocations, the impact of a global recession and its duration, the potential for failures or realignments of financial institutions and the related impact on available credit could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is subject to changes in relationships and agreements with third parties with which the Company does business. The Company has important on-going relationships with various third-party suppliers of services and merchandise. These include, but are not limited to, local and regional merchandise suppliers, information technology suppliers, warehouse facilities and equipment suppliers, financial institutions and credit card transaction processors, and lessors. Significant changes in those relationships or the agreements which govern the terms through which business is conducted could have a material adverse effect on the Company's business, financial condition and results of operation.

A few of the Company's stockholders own approximately 29.8% of the Company's voting stock as of August 31, 2012, which may make it difficult to complete some corporate transactions without their support and may impede a change in control. Robert E. Price, the Company's Chairman of the Board, and affiliates of Mr. Price, including Price Charities, The Price Group, LLC and various trusts, collectively beneficially own approximately 29.8% of the Company's outstanding shares of common stock. The percentage of stock controlled by these entities decreased from 31.1% to 29.8% during fiscal year 2012 as a result of various public and private sales of the Company's stock by these stockholders and the increase in common stock outstanding. As a result of their beneficial ownership, these stockholders have the ability to significantly affect the outcome of all matters submitted to the Company's stockholders for approval, including the election of directors. In addition, this ownership could discourage the acquisition of the Company's common stock by potential investors and could have an anti-takeover effect, possibly depressing the trading price of the Company's common stock.

The loss of key personnel could harm the Company's business. The Company depends to a large extent on the performance of its senior management team and other key employees, such as U.S. expatriates in certain locations where the Company operates. The loss of the services of any members of the Company's senior management or other key employees could have a material adverse effect on the Company's business, financial condition and results of operations. The Company does not maintain key- man life insurance on any executive.

The Company is subject to volatility in foreign currency exchange rates. The Company conducts operations 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, 2012, the Company had a total of 29 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 2012, 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.

During the fiscal year 2012, 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.

The Company faces the risk of exposure to product liability claims, a product recall and adverse publicity. The Company markets and distributes products purchased from third-party suppliers and products prepared by the Company for resale, including meat, dairy and other food products which exposes the Company to the risk of product liability claims, a product recall and adverse publicity. The Company may inadvertently redistribute food products or prepare food products that are contaminated, which may result in illness, injury or death if the contaminants are not eliminated by processing at the food service or consumer level. The Company generally seeks contractual indemnification and insurance coverage from its major suppliers for product purchased from third-party suppliers and carries product liability insurance for product prepared by the Company. However, if the Company does not have adequate insurance or contractual indemnification available, product liability claims relating to products that are contaminated or otherwise harmful could have a material adverse effect on the Company's ability to successfully market its products and on the Company's business, financial condition and results of operations. In addition, even if a product liability claim is not successful or is not fully pursued, the negative publicity surrounding a product recall or any assertion that the Company's products caused illness or injury could have a material adverse effect on the Company's reputation with existing and potential customers and on the Company's business, financial condition and results of operations.

Potential future impairments of long lived assets could adversely affect the Company's future results of operations and financial position. Long-lived assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss would be measured and recognized if the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset. If the carrying amount of the asset were determined to be impaired, an impairment loss to write-down the carrying value of the asset to fair value by using quoted market prices, when available, would be required. When a quoted market price is not available, an estimated fair value would be determined through other valuation techniques. The Company has used projected cash flows to reflect the expected commercial, competitive and other factors related to its long-lived assets. These future tests may result in a determination that these assets have been impaired. If at any time the Company determines that an impairment has occurred, it will be required to reflect the impaired value as a charge, resulting in a reduction in earnings in the quarter such impairment is identified and a corresponding reduction in the Company’s net asset value. A material reduction in earnings resulting from such a charge could cause the Company to fail to be profitable in the period in which the charge is taken or otherwise to fail to meet the expectations of investors and securities analysts, which could cause the price of the Company's stock to decline.

Write-offs of goodwill and other intangible assets could adversely affect the Company's future results of operations and financial position. Goodwill and intangible assets deemed to have indefinite lives are not amortized but instead are subject to annual impairment tests. As of August 31, 2012, the Company had goodwill of approximately $36.9 million. The Company performed its impairment test on goodwill as of August 31, 2010. The Company reviewed reported goodwill at the entity level for fiscal year 2012 and fiscal year 2011 and found no significant change in those reporting units' assets and liabilities since fiscal year 2010; with each reporting unit's fair value determination substantially exceeding its carrying amount in fiscal year 2010. The Company determined that it is not more likely than not that the fair value of each individual reporting unit is less than its carrying amount, and performance of the two-step impairment test is unnecessary for fiscal year 2012. No impairment losses were recorded in fiscal years 2012 and 2011. In the future, the Company will perform similar reviews for reporting entities where goodwill has been recorded. If at any time the Company determines that an impairment has occurred, the Company will be required to reflect the impaired value as a part of operating income, resulting in a reduction in earnings in the period such impairment is identified and a corresponding reduction in the Company's net asset value. A material reduction in earnings resulting from such a charge could cause the Company to fail to be profitable or increase the amount of its net loss in the period in which the charge is taken or otherwise fail to meet the expectations of investors and securities analysts, which could cause the price of the Company's stock to decline.

The Company faces increased compliance risks associated with compliance with Section 404 of the Sarbanes-Oxley Act of 2002. Section 404 requires management of public companies to evaluate, and the independent auditors to attest to, the effectiveness of internal control over financial reporting. The Company’s internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and include those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the Company’s transactions and the dispositions of its assets; (2) provide reasonable assurance that the Company’s transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures are being made only in accordance with appropriate authorizations; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on its financial statements. Because of their inherent limitations, internal controls over financial reporting may not prevent or detect misstatements.

Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Any failure to effectively implement new or improved internal controls, to resolve difficulties encountered in their implementation or remediate identified material weaknesses, could harm the Company's operating results, cause it to fail to meet reporting obligations, result in management being required to give a qualified assessment of the Company's internal controls over financial reporting or the Company's independent auditors providing an adverse opinion regarding their attestation of the effectiveness of the Company’s internal controls over financial reporting. Any such result could cause investors to lose confidence in the Company's reported financial information, which could have a material adverse effect on the Company's stock price.

If remediation costs or hazardous substance contamination levels at certain properties for which the Company maintains financial responsibility exceed management’s current expectations, the Company’s financial condition and results of operations could be adversely impacted. In connection with its spin-off from Price Enterprises, Inc., or PEI, in 1997, the Company agreed to indemnify PEI for all of PEI's liabilities (including indemnification obligations for environmental liabilities) arising out of PEI's prior ownership of certain properties. The Company's ownership of real properties and its agreement to indemnify PEI could subject it to certain environmental liabilities. Certain of these properties are located in areas of current or former industrial activity, where environmental contamination may have occurred. For example, PEI sold an unimproved, 12.9-acre site located in Meadowlands, New Jersey in August 1995. A prior owner used this site as a debris disposal area. Elevated levels of heavy metals (including a small area contaminated with polychlorinated biphenyl) and petroleum hydrocarbons are present in soil at the Meadowlands site. To date, the Company has not been advised that PEI has been notified by any governmental authority, and is not otherwise aware, of any material noncompliance, liability or claim relating to hazardous or toxic substances or petroleum products in connection with the Meadowlands site. Nevertheless, PEI's previous ownership of the Meadowlands site creates the potential of liability for remediation costs associated with groundwater beneath the site. The Company also retains certain environmental indemnification obligations with respect to a parcel of land in Silver City, New Mexico, which PEI sold in March 1996 but agreed to retain responsibility for certain environmental matters. This site contains petroleum hydrocarbons in the soil and groundwater. There are no known receptors (groundwater users) down gradient of the Silver City site and the extent of soil and groundwater contamination is limited and has been reducing in mass and extent under naturally attenuating processes. The Company continues to monitor the soil and groundwater at this property as may be required by local authorities. If the Company were to incur costs for remediating contamination at the Meadowlands or Silver City sites (or any other site for which the Company maintains environmental responsibility) which exceed management’s current expectations, the Company’s financial condition and results of operations could be adversely impacted.

Available Information

The PriceSmart, Inc. website or internet address is www.pricesmart.com. On this website the Company makes available, free of charge, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, and the annual report to the stockholders as soon as reasonably practicable after electronically filing such material with or furnishing it to the U.S. Securities and Exchange Commission (SEC). The Company’s SEC reports can be accessed through the investor relations section of its website under “SEC Filings.” All of the Company’s filings with the SEC may also be obtained at the SEC’s Public Reference Room at Room 1580, 100 F Street NE, Washington, DC 20549. For information regarding the operation of the SEC’s Public Reference Room, please contact the SEC at 1-800-SEC-0330. Additionally, the SEC maintains an internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov. The Company will make available its annual report on Form 10-K and its annual Proxy Statement for the fiscal year 2012 at the internet address http://materials.proxyvote.com/741511 as soon as reasonably practicable after electronically filing such material with or furnishing it to the SEC.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

At August 31, 2012, PriceSmart operated 29 membership warehouse clubs.

| Number of warehouse clubs | Own land and building | Lease land and/or building |
|---|---|---|
| LATIN AMERICA SEGMENT | | |
| Colombia(1) | 1 | — |
| Panama | 3 | 1 |
| Guatemala | 1 | 2 |
| Costa Rica(2) | 5 | — |
| El Salvador | 2 | — |
| Honduras | 1 | 1 |
| Nicaragua | 1 | — |
| CARIBBEAN SEGMENT | | |
| Dominican Republic | 3 | — |
| Aruba | — | 1 |
| Barbados | 1 | — |
| Trinidad | 3 | 1 |
| U.S. Virgin Islands | — | 1 |
| Jamaica | 1 | — |
| Total | 22 | 7 |

(1) During fiscal year 2012, the Company acquired land in south Cali, Colombia, on December 14, 2011, upon which it opened a new warehouse club on October 19, 2012. On March 15, 2012 the Company acquired land in north Cali, Colombia upon which it anticipates opening a new warehouse club in the spring of calendar year 2013. 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.

(2) On January 9, 2012 the Company entered into an agreement to acquire property located in La Union, Cartago, Costa Rica, upon which the Company anticipates constructing its sixth membership warehouse club in Costa Rica. The Company currently anticipates opening this club in the fall of calendar year 2013.

As of August 31, 2012, the Company's warehouse club buildings 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 | 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, 2014 | none |
| San Diego, CA | Corporate Headquarters | April 1, 2004 | 39,225 | August 31, 2015 | 5 years |
| Miami, FL | Distribution Facility | March 1, 2008 | 274,652 | July 31, 2021 | 10 years |
| Cali, Colombia | Temporary Offices | March 1, 2012 | 2,490 | October 31, 2012 | 3 months |
| Panama | Storage and Distribution Facility | August 15, 2012 | 25,690 | August 15, 2015 | mutual agreement |
| Costa Rica | Storage and Distribution Facility | March 1, 2012 | 27,201 | February 28, 2013 | none |

Item 3. Legal Proceedings

We are often involved in claims arising in the ordinary course of business seeking monetary damages and other relief. Based upon information currently available to us, none of these claims is expected to have a material adverse effect on our business, financial condition or results of operations.

Item 4. Mine Safety Disclosures

Not applicable.

## PART II

### Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The information required by Item 5 is incorporated herein by reference to PriceSmart's Annual Report to Stockholders for the fiscal year ended August 31, 2012 under the heading “Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.”

### Item 6. Selected Financial Data

The information required by Item 6 is incorporated herein by reference to PriceSmart's Annual Report to Stockholders for the fiscal year ended August 31, 2012 under the heading “Selected Financial Data.”

### Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required by Item 7 is incorporated herein by reference to PriceSmart's Annual Report to Stockholders for the fiscal year ended August 31, 2012 under the heading “Management's Discussion and Analysis of Financial Condition and Results of Operations.”

### Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The information required by Item 7A is incorporated herein by reference to PriceSmart's Annual Report to Stockholders for the fiscal year ended August 31, 2012 under the heading “Quantitative and Qualitative Disclosures about Market Risk.”

### Item 8. Financial Statements and Supplementary Data

The information required by Item 8 is incorporated herein by reference to PriceSmart's Annual Report to Stockholders for the fiscal year ended August 31, 2012 under the heading “Financial Statements and Supplementary Data.”

### Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

As of August 31, 2012, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e). These disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by the Company in its periodic reports with the SEC is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and that the information is accumulated and communicated to the Company's management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. The design of any disclosure controls and procedures also is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based upon their evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of the end of the period covered by this Annual Report on Form 10-K.

(b) Management's report on internal control over financial reporting

Internal control over financial reporting refers to the process designed by, or under the supervision of, the Company's principal executive officer and principal financial officer, and effected by its board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles, and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Company's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles and that receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision, and with the participation, of the Company's management, including its principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting. Management has used the framework set forth in the report entitled "Internal Control-Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of its internal control over financial reporting. Based on its evaluation, management has concluded that the Company's internal control over financial reporting was effective as of August 31, 2012, the end of its most recent fiscal year.

Ernst & Young LLP, the Company's independent registered public accounting firm, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of August 31, 2012, as stated in their report which is included herein.

(c) Changes in internal control over financial reporting.

There have been changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act), during the fiscal year ended August 31, 2012, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. These changes were implemented pursuant to the remediation activities the Company undertook during fiscal year 2012 to resolve two material weaknesses in the Company's internal controls over financial reporting that management found to exist as of the end of fiscal year 2011. In fiscal year 2011, management found that inadequate review of system configuration with respect to the translation from foreign currencies to U.S dollars of fixed assets and depreciation could result in material errors in calculating depreciation. Management identified errors resulting from this control deficiency, which resulted in a correcting $2.3 million charge to depreciation expense and a corresponding increase to accumulated depreciation. The Company also reclassified balance sheet items, which increased accumulated depreciation by approximately $4.9 million and accumulated other comprehensive income by the same amount as of August 31, 2011. Also in fiscal year 2011, management found that inadequate review of the reconciliation of net deferred tax assets related to net operating and capital loss carry-forwards to tax returns could result in material errors in calculating tax expense. Management identified errors resulting from this control deficiency, which resulted in a correcting $3.1 million reduction in tax expense in fiscal year 2011. In fiscal year 2012, the Company’s management developed internal controls designed for the remediation of these two material weaknesses, as described below. The controls developed and put into place in fiscal year 2012 were effective in the remediation of these material weaknesses. Other than the actions described below there were no changes in the Company's internal control over financial reporting during the fiscal year 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

In fiscal year 2012, in order to remediate the material weakness related to inadequate review of system configuration, the Company enhanced the reconciliation process for other comprehensive income across each entity and on a consolidated basis. The Company's internal controls and procedures now include reviews of unexpected activity within other comprehensive income. In order to remediate the material weakness related to net deferred taxes, the Company enhanced its tracking of deferred tax assets and the related valuation allowances by implementing a more extensive reconciliation process for net deferred tax assets. During the fourth quarter of fiscal year 2012, management tested the design and operating effectiveness of the implemented controls and concluded that the material weaknesses described above had been remediated as of August 31, 2012.

The certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 are filed as Exhibit 31.1 and 31.2 to this report.

Item 9B. Other Information

Not applicable.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of PriceSmart, Inc.

We have audited PriceSmart, Inc.'s internal control over financial reporting as of August 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). PriceSmart, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, PriceSmart, Inc. maintained, in all material respects, effective internal control over financial reporting as of August 31, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2012 consolidated financial statements of PriceSmart, Inc. and our report dated October 30, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Diego, California
October 30, 2012

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance

PriceSmart has adopted a code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer, controller, and to all of its other officers, directors, employees and agents. The code of ethics is available on PriceSmart's web site at http://pricesmart.com/Investor/Corporate-Governance/Conduct.aspx. PriceSmart intends to disclose on its website future amendments to, or waivers from, certain provisions of its code of ethics within four business days following the date of such amendment or waiver.

The additional information required by Item 10 is incorporated herein by reference from PriceSmart's definitive Proxy Statement for the Annual Meeting of Stockholders under the headings “Election of Directors,” “Information Regarding Directors,” “Information Regarding the Board,” “Executive Officers of the Company” and “Compliance with Section 16(a) of the Exchange Act.”

### Item 11. Executive Compensation

The information required by Item 11 is incorporated herein by reference from PriceSmart's definitive Proxy Statement for the Annual Meeting of Stockholders under the heading “Compensation Discussion and Analysis.”

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 is incorporated herein by reference from PriceSmart's definitive Proxy Statement for the Annual Meeting of Stockholders under the headings “Securities Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information.”

### Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 is incorporated herein by reference from PriceSmart's definitive Proxy Statement for the Annual Meeting of Stockholders under the headings “Certain Transactions” and “Information Regarding Directors.”

### Item 14. Principal Accounting Fees and Services

The information required by Item 14 is incorporated herein by reference from PriceSmart's definitive Proxy Statement for the Annual Meeting of Stockholders under the heading “Independent Registered Public Accounting Firm.”

# 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. |
| 10.1(a)(65)** | Form of Restricted Stock Unit Award Grant Notice and Restricted Stock Unit Award Agreement. |
| 10.1(b)(65)** | Third Amendment to the 2001 Equity Participation Plan of PriceSmart, Inc., dated April 17, 2012. |

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|---|---|
| 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. |

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

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| | 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. |

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| 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. |
| 10.3(ab)(63)** | Twenty-Eighth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of October 1, 2011. |
| 10.3(ac)(63)** | Twenty-Ninth Amendment to Employment Agreement between the Company and Robert M. Gans, dated as of October 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. |
| 10.4(c)(63)** | Second Amendment to Employment Agreement between the Company and John M. Heffner, dated November 18, 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)** | |

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|---|---|
| | 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. |

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| 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. |
| 10.8(y)(63)** | Twenty-Third Amendment to Employment Agreement between the Company and Thomas Martin dated November 18, 2011. |
| 10.8(z)(65)** | Twenty-Fourth Amendment to Employment Agreement between the Company and Thomas Martin dated March 1, 2012. |
| 10.9(19)** | 1998 Equity Participation Plan of PriceSmart, Inc. |
| 10.10(52) | Letter Agreement between RBTT Bank Ltd. and PriceSmart (Trinidad) Limited dated November 20, 2008. |
| 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. |
| 10.14(17) | Master Agreement between the Company and Payless ShoeSource Holdings, Ltd., dated November 27, 2000. |
| 10.15(a)(14)** | Employment Agreement between the Company and William Naylon, dated January 16, 2002. |
| 10.15(b)(9)** | First Amendment of Employment Agreement between the Company and William J. Naylon, dated January 22, 2003. |

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| 10.15(c)(33)** | Second Amendment to Employment Agreement between the Company and William Naylon, dated February 1, 2004. |
| 10.15(d)(37)** | Third Amendment to Employment Agreement between the Company and William Naylon, dated as of February 16, 2005. |
| 10.15(e)(41)** | Fourth Amendment to Employment Agreement between the Company and William Naylon, dated as of January 11, 2006. |
| 10.15(f)(42)** | Fifth Amendment to Employment Agreement between the Company and William Naylon, dated as of March 1, 2006. |
| 10.15(g)(44)** | Sixth Amendment to Employment Agreement between the Company and William Naylon, dated as of January 1, 2007. |
| 10.15(h)(48)** | Seventh Amendment to Employment Agreement between the Company and William Naylon, dated as of January 1, 2008. |
| 10.15(i)(52)** | Eighth Amendment to Employment Agreement between the Company and William Naylon, dated as of November 13, 2008. |

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|---|---|
| 10.15(j)(53)** | Ninth Amendment to Employment Agreement between the Company and William Naylon, dated as of January 1, 2009. |
| 10.15(k)(57)** | Tenth Amendment to Employment Agreement between the Company and William Naylon, dated as of January 1, 2010. |
| 10.15(l)(61)** | Eleventh Amendment to Employment Agreement between the Company and William Naylon, dated as of January 10, 2011. |
| 10.15(m)(62)** | Twelfth Amendment to Employment Agreement between the Company and William Naylon, dated as of April 1, 2011. |
| 10.15(n)(63)** | Thirteenth Amendment to Employment Agreement between the Company and William Naylon, dated as of November 18, 2011. |
| 10.16(a)(7)** | Employment Agreement between the Company and John D. Hildebrandt, dated as of June 1, 2001. |
| 10.16(b)(7)** | Amendment to Employment Agreement between the Company and John Hildebrandt, dated as of October 16, 2001. |
| 10.16(c)(14)** | First Amendment of Employment Agreement between the Company and John Hildebrandt, dated January 16, 2002. |
| 10.16(d)(10)** | Second Amendment of Employment Agreement between the Company and John Hildebrandt, dated January 22, 2003. |
| 10.16(e)(34)** | Third Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 15, 2004. |
| 10.16(f)(38)** | Fourth Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 9, 2005. |
| 10.16(g)(42)** | Fifth Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 1, 2006. |
| 10.16(h)(44)** | Sixth Amendment to Employment Agreement between the Company and John Hildebrandt, dated January 1, 2007. |
| 10.16(i)(45)** | Seventh Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 1, 2007. |
| 10.16(j)(48)** | Eighth Amendment to Employment Agreement between the Company and John Hildebrandt, dated January 1, 2008. |
| 10.16(k)(49)** | Ninth Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 1, 2008. |
| 10.16(l)(52)** | Tenth Amendment to Employment Agreement between the Company and John Hildebrandt, dated November 13, 2008. |

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|---|---|
| 10.16(m)(53)** | Eleventh Amendment to Employment Agreement between the Company and John Hildebrandt, dated January 1, 2009. |
| 10.16(n)(54)** | Twelfth Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 1, 2009. |
| 10.16(o)(54)** | Thirteenth Amendment to Employment Agreement between the Company and John Hildebrandt, dated April 1, 2009. |
| 10.16(p)(57)** | Fourteenth Amendment to Employment Agreement between the Company and John Hildebrandt, dated January 1, 2010. |
| 10.16(q)(57)** | Fifteenth Amendment to Employment Agreement between the Company and John Hildebrandt, dated February 1, 2010. |
| 10.16(r)(58)** | Sixteenth Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 15, 2010. |
| 10.16(s)(61)** | Seventeenth Amendment to Employment Agreement between the Company and John Hildebrandt, dated January 10, 2011. |

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| 10.16(t)(62)** | Eighteenth Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 1, 2011. |
| 10.16(u)(62)** | Nineteenth Amendment to Employment Agreement between the Company and John Hildebrandt, dated April 1, 2011. |
| 10.16(v)(63)** | Twentieth Amendment to Employment Agreement between the Company and John Hildebrandt, dated November 18, 2011. |
| 10.16(w)(65)** | Twenty-First Amendment to Employment Agreement between the Company and John Hildebrandt, dated March 1, 2012. |
| 10.17(22)** | 2001 Equity Participation Plan of PriceSmart, Inc. |
| 10.18(a)(8)** | Employment Agreement between the Company and Brud Drachman, dated as of January 11, 2000. |
| 10.18(b)(8)** | First Amendment to Employment Agreement between the Company and Brud Drachman, dated January 24, 2001. |
| 10.18(c)(8)** | Second Amendment to Employment Agreement between the Company and Brud Drachman, dated June 1, 2001. |
| 10.18(d)(8)** | Amendment to Employment Agreement between the Company and Brud Drachman, dated October 16, 2001. |
| 10.18(e)(8)** | Third Amendment to Employment Agreement between the Company and Brud Drachman, dated January 16, 2002. |
| 10.18(f)(10)** | Fourth Amendment to Employment Agreement between the Company and Brud Drachman, dated November 19, 2002. |
| 10.18(g)(10)** | Fifth Amendment to Employment Agreement between the Company and Brud Drachman, dated January 22, 2003. |
| 10.18(h)(34)** | Sixth Amendment to Employment Agreement between the Company and Brud Drachman, dated March 15, 2004. |
| 10.18(i)(38)** | Seventh Amendment to Employment Agreement between the Company and Brud Drachman, dated March 9, 2005. |
| 10.18(j)(42)** | Eighth Amendment to Employment Agreement between the Company and Brud Drachman, dated March 1, 2006. |
| 10.18(k)(44)** | Ninth Amendment to Employment Agreement between the Company and Brud Drachman, dated January 1, 2007. |
| 10.18(l)(45)** | Tenth Amendment to Employment Agreement between the Company and Brud Drachman, dated March 1, 2007. |

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|---|---|
| 10.18(m)(48)** | Eleventh Amendment to Employment Agreement between the Company and Brud Drachman, dated January 1, 2008. |
| 10.18(n)(49)** | Twelfth Amendment to Employment Agreement between the Company and Brud Drachman, dated March 1, 2008. |
| 10.18(o)(52)** | Thirteenth Amendment to Employment Agreement between the Company and Brud Drachman, dated November 13, 2008. |
| 10.18(p)(53)** | Fourteenth Amendment to Employment Agreement between the Company and Brud Drachman, dated January 1, 2009. |
| 10.18(q)(54)** | Fifteenth Amendment to Employment Agreement between the Company and Brud Drachman, dated March 1, 2009. |
| 10.18(r)(57)** | Sixteenth Amendment to Employment Agreement between the Company and Brud Drachman, dated January 1, 2010. |
| 10.18(s)(58)** | Seventeenth Amendment to Employment Agreement between the Company and Brud Drachman, dated March 15, 2010. |
| 10.18(t)(61)** | Eighteenth Amendment to Employment Agreement between the Company and Brud Drachman, dated January 10, 2011. |

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|---|---|
| 10.18(u)(62)** | Nineteenth Amendment to Employment Agreement between the Company and Brud Drachman, dated March 1, 2011. |
| 10.18(v)(62)** | Twentieth Amendment to Employment Agreement between the Company and Brud Drachman, dated April 1, 2011. |
| 10.18(w)(63)** | Twenty-First Amendment to Employment Agreement between the Company and Brud Drachman, dated November 18, 2011. |
| 10.18(x)(65)** | Twenty-Second Amendment to Employment Agreement between the Company and Brud Drachman, dated March 1, 2012. |
| 10.19(27)** | 2002 Equity Participation Plan of PriceSmart, Inc. |
| 10.20(a)(35)** | Employment Agreement by and between the Company and Jose Luis Laparte, dated as of June 3, 2004. |
| 10.20(b)(35)** | First Amendment to Employment Agreement by and between the Company and Jose Luis Laparte, dated as of August 2, 2004. |
| 10.20(c)(40)** | Second Amendment to Employment Agreement between the Company and Jose Luis Laparte, dated as of September 26, 2005. |
| 10.20(d)(42)** | Third Amendment to Employment Agreement between the Company and Jose Luis Laparte, dated as of March 1, 2006. |
| 10.20(e)(47)** | Fourth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of September 25, 2006. |
| 10.20(f)(44)** | Fifth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of January 1, 2007. |
| 10.20(g)(50)** | Sixth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of October 1, 2007. |
| 10.20(h)(50)** | Seventh Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of October 31, 2007. |
| 10.20(i)(48)** | Eighth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of January 1, 2008. |
| 10.20(j)(51)** | Ninth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of October 1, 2008. |
| 10.20(k)(52)** | Tenth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of November 13, 2008. |
| 10.20(l)(53)** | |

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|---|---|
| | Eleventh Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of January 1, 2009. |
| 10.20(m)(56)** | Twelfth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of October 1, 2009. |
| 10.20(n)(57)** | Thirteenth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of January 1, 2010. |
| 10.20(o)* | Fourteenth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of July 15, 2010. |
| 10.20(p)(60)** | Fifteenth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of October 6, 2010. |
| 10.20(q)(61)** | Sixteenth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of January 10, 2011. |
| 10.20(r)(62)** | Seventeenth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of April 1, 2011. |
| 10.20(s)(63)** | Eighteenth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of October 1, 2011. |

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| 10.20(t)(63)** | Nineteenth Amendment to Employment Agreement between the Company and Jose Luis Laparte dated as of November 18, 2011. |
| 10.21(a)(48) | Promissory Note entered into between PSMT Barbados and Citibank, N.A. dated November 15, 2007. |
| 10.22(a)(56) | Loan Agreement entered into between PriceSmart and ScotiaBank El Salvador dated September 1, 2009. |
| 10.23(57) | Loan Agreement entered into between PriceSmart Honduras, S.A. de C.V. and ScotiaBank El Salvador S.A., dated January 12, 2010. |
| 10.24(58) | Loan Agreement entered into between PriceSmart Honduras, a subsidiary of PriceSmart Inc., and Banco del Pais, S.A. dated March 16, 2010. |
| 10.25(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. |
| 10.26(59) | Commercial Mortgage Loan Agreement dated August 31, 2010 between PriceSmart Panama, S.A. and Metrobank, S.A. |
| 10.27(60) | Loan Agreement between PriceSmart Colombia, S.A.S. and Citibank, N.A., dated as of November 1, 2010. |
| 10.28(60) | Deposit Agreement between PriceSmart, Inc. and Citibank, N.A., New York, dated as of November 24, 2010. |
| 10.29(60) | Purchase Agreement between PriceSmart Colombia S.A.S. and Cementos Argos S.A., dated as of May 16, 2010. |
| 10.29(a)(60) | Addenda No. 1 to Purchase Agreement between PriceSmart Colombia S.A.S. and Cementos Argos S.A., dated as of July 26, 2010. |
| 10.29(b)(60) | Addenda No. 2 to Purchase Agreement between Colombia S.A.S. and Cementos Argos S.A., dated as of October 22, 2010. |
| 10.30(62) | Loan Agreement between PriceSmart Colombia, S.A.S. and Scotiabank & Trust (Cayman) Ltd., dated March 14, 2011. |
| 10.31** | Form of Restricted Stock Award Grant Notice and Restricted Stock Award Agreement |
| 13.1* | Portions of the Company’s Annual Report to Stockholders for the year ended August 31, 2012. |
| 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.

(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.
(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 Quarterly Report on Form 10-Q for the quarter ended November 30, 2011 filed with the Commission on January 9, 2012.

(64) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 29, 2012 filed with the Commission on April 4, 2012.

(65) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2012

filed with the Commission on July 9, 2012.

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, 2012.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of PriceSmart, Inc.

We have audited the consolidated financial statements of PriceSmart, Inc. as of August 31, 2012 and 2011, and for each of the three years in the period ended August 31, 2012, and have issued our report thereon dated October 30, 2012 (incorporated herein by reference). 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 a whole, present fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

San Diego, California
October 30, 2012

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, 2010 | $10 | $46 | $(41) | $15 |
| Year ended August 31, 2011 | $15 | $(12) | $2 | $5 |
| Year ended August 31, 2012 | $5 | $8 | $(12) | $1 |

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: October 30, 2012

PRICESMART, INC.

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ JOSE LUIS LAPARTE<br>Jose Luis Laparte | Director, Chief Executive Officer and President (Principal Executive Officer) | October 30, 2012 |
| /s/ JOHN M. HEFFNER<br>John M. Heffner | Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer) | October 30, 2012 |
| /s/ ROBERT E. PRICE<br>Robert E. Price | Chairman of the Board | October 30, 2012 |
| /s/ SHERRY S. BAHRAMBEYGUI<br>Sherry S. Bahrambeygui | Director | October 30, 2012 |
| /s/ MITCHELL G. LYNN<br>Mitchell G. Lynn | Director | October 30, 2012 |
| /s/ GONZALO BARRUTIETA<br>Gonzalo Barrutieta | Director | October 30, 2012 |
| /s/ KATHERINE L. HENSLEY<br>Katherine L. Hensley | Director | October 30, 2012 |
| /s/ LEON C. JANKS<br>Leon C. Janks | Director | October 30, 2012 |
| /s/ LAWRENCE B. KRAUSE<br>Lawrence B. Krause | Director | October 30, 2012 |
| /s/ EDGAR ZURCHER<br>Edgar Zurcher | Director | October 30, 2012 |

Exhibit 13.1

PRICESMART, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND
OTHER INFORMATION
August 31, 2012

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.

1

| | Years Ended August 31, | | | | |
|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| | (in thousands, except income (loss) per common share) | | | | |
| OPERATING RESULTS DATA: | | | | | |
| Net warehouse club sales | $2,000,046 | $1,675,247 | $1,365,801 | $1,224,331 | $1,097,510 |
| Export sales | 15,320 | 8,831 | 4,139 | 3,679 | 1,498 |
| Membership income | 26,957 | 22,817 | 19,742 | 17,903 | 16,042 |
| Other income | 8,422 | 7,352 | 6,209 | 5,715 | 4,826 |
| Total revenues | 2,050,745 | 1,714,247 | 1,395,891 | 1,251,628 | 1,119,876 |
| Total cost of goods sold | 1,718,780 | 1,433,028 | 1,161,797 | 1,046,614 | 935,356 |
| Total selling, general and administrative | 223,422 | 191,255 | 159,593 | 145,839 | 134,214 |
| Preopening expenses | 617 | 1,408 | 1,123 | 515 | 1,010 |
| Asset impairment and closure costs (gains) | — | — | 18 | (249) | 1,142 |
| Provision for settlement of pending litigation | — | — | — | — | 1,370 |
| Operating income | 107,926 | 88,556 | 73,360 | 58,909 | 46,784 |
| Total other income (expense)[1] | (5,212) | 800 | (1,120) | (3,207) | 1,044 |
| Income from continuing operations before provision for income taxes, losses of unconsolidated affiliates and net income attributable to noncontrolling interests | 102,714 | 89,356 | 72,240 | 55,702 | 47,828 |
| Provision for income taxes | (35,053) | (27,468) | (22,787) | (13,069) | (9,124) |
| Losses of unconsolidated affiliates | (15) | (52) | (22) | (21) | — |
| Net income attributable to noncontrolling interests | — | — | (132) | (265) | (494) |
| Net income from continuing operations attributable to PriceSmart | 67,646 | 61,836 | 49,299 | 42,347 | 38,210 |
| Discontinued operations income (loss), net of tax | (25) | (86) | 16 | (28) | (104) |
| Net income attributable to PriceSmart | $67,621 | $61,750 | $49,315 | $42,319 | $38,106 |
| INCOME PER COMMON SHARE -BASIC:[2] | | | | | |
| Income from continuing operations attributable to PriceSmart | $2.24 | $2.07 | $1.66 | $1.43 | $1.30 |
| Discontinued operations, net of tax | $— | $— | $— | $— | $— |
| Basic net income per common share attributable to PriceSmart | $2.24 | $2.07 | $1.66 | $1.43 | $1.30 |
| INCOME PER COMMON SHARE -DILUTED:[2] | | | | | |
| Income from continuing operations attributable to PriceSmart | $2.24 | $2.07 | $1.65 | $1.43 | $1.29 |
| Discontinued operations, net of tax | $— | $— | $— | $— | $— |
| Diluted net income per common share attributable to PriceSmart | $2.24 | $2.07 | $1.65 | $1.43 | $1.29 |
| Weighted average common shares - basic | 29,554 | 29,441 | 29,254 | 28,959 | 28,860 |
| Weighted average common shares - diluted | 29,566 | 29,450 | 29,279 | 29,057 | 28,996 |

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PRICESMART, INC.

SELECTED FINANCIAL DATA- (Continued)

| | As of August 31, | | | | |
|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| | (in thousands) | | | | |
| BALANCE SHEET DATA: | | | | | |
| Cash and cash equivalents | $91,248 | $76,817 | $73,346 | $44,193 | $48,121 |
| Short-term restricted cash | 1,241 | 1,240 | 1,240 | 10 | 536 |
| Total assets | 735,712 | 664,328 | 572,565 | 487,373 | 451,412 |
| Long-term debt(3) | 71,422 | 60,451 | 53,005 | 37,120 | 23,028 |
| Total PriceSmart stockholders' equity | 418,914 | 375,838 | 336,043 | 300,398 | 274,506 |
| Dividends paid on common stock(4) | $18,120 | $17,934 | $14,895 | $19,551 | $9,463 |

(1) During fiscal year 2012, total other income (expense) includes interest income and expense, gains and losses on disposal of assets, and foreign exchange transaction gains or losses on currency translation. Foreign exchange transaction gains or losses on currency translation are generated from monetary assets and liabilities in currencies other than the functional currency of the respective entity that are revalued to the functional currency using the exchange rate on the balance sheet date. The Company's management believes that these foreign currency transactions are not directly matched to the recognition of cost of goods sold but are more closely linked to financing activities of the Company. These activities include the use of the extension of U.S. dollar payables as a funding tool to meet the Company's subsidiary cash requirements and direct bank financing for U.S. dollar loans that constitute financing vehicles for expansion or development of subsidiaries, where once the cash is deposited into that subsidiary, it is fungible and can be used for any cash requirement of the entity such as inter-company payments, working capital, dividend payments and increases in restricted cash balances to comply with financing requirements. These foreign exchange transaction gains (losses), including repatriation of funds, have been recorded to Other income (expense) in the Consolidated Statements of Income for the fiscal year 2012. For the fiscal years prior to fiscal year 2012, these currency translations have been reclassified from Cost of goods sold to Other income (expense) in the Consolidated Statements of Income for the fiscal years presented herein. The Company believes that these reclassifications will allow for better comparability to other comparable companies with similar business models. The following tables summarize the amounts reclassified to conform with fiscal year 2012 presentation (in thousands):

| | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|
| Total other income (expense), net – as previously reported | $(1,524) | $(2,653) | $(1,782) | $(598) |
| Foreign exchange transaction gains reclassified from Cost of goods sold to Other income (expenses), net | 2,324 | 1,533 | (1,425) | 1,642 |
| Total other income (expense), net – as currently reported(1) | $800 | $(1,120) | $(3,207) | $1,044 |

3

| | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|
| Composition of beginning balance Total other income (expense) – as previously reported: | | | | |
| Gain/(loss) on sale | 763 | (504) | (508) | (330) |
| Currency gain/(loss) | 777 | 21 | (31) | (16) |
| Interest Income | 852 | 553 | 457 | 1,193 |
| Interest Expense | (3,916) | (2,723) | (1,700) | (1,445) |
| Composition of ending balance Other income (expense) – as currently reported: | | | | |
| Gain/(loss) on sale | 763 | (504) | (508) | (330) |
| Currency gain/(loss) | 3,101 | 1,554 | (1,456) | 1,626 |
| Interest Income | 852 | 553 | 457 | 1,193 |
| Interest Expense | (3,916) | (2,723) | (1,700) | (1,445) |

(2) 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 and $1.30 for the fiscal years 2009 and 2008, respectively.

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

(4) On January 25, 2012, January 19, 2011, January 27, 2010, January 29, 2009 and January 24, 2008, 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 on Form 10-K 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,” “anticipated,” “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; future sales growth could be dependent upon the Company acquiring suitable sites for additional warehouse clubs; 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; the Company is subject to changes in relationships and agreements with third parties with which the Company does business; a few of the Company's stockholders own nearly 29.8% 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, 2012 filed on October 30, 2012 pursuant to the Securities Exchange Act of 1934. See “Part II - Item 1A - Risk Factors.”

The following discussion and analysis compares the results of operations for each of the three fiscal years ended August 31, 2012, 2011 and 2010 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 selected Latin American and Caribbean markets, selling high quality merchandise at low prices to PriceSmart members, and to provide fair wages and benefits to PriceSmart employees, as well as 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 Company's ownership in all subsidiaries as of August 31, 2012 is 100% and they are presented on a consolidated basis as wholly owned subsidiaries. The number of warehouse clubs in operation as of August 31, 2012 and 2011, for each country or territory are as follows:

| Country/Territory | Number of Warehouse Clubs in Operation as of August 31, 2012 | Number of Warehouse Clubs in Operation as of August 31, 2011 | Anticipated warehouse club openings in fiscal year 2013 |
|---|---|---|---|
| Colombia | 1 | 1 | 2 |
| Panama | 4 | 4 | — |
| Costa Rica | 5 | 5 | — |
| Dominican Republic | 3 | 3 | — |
| Guatemala | 3 | 3 | — |
| El Salvador | 2 | 2 | — |
| Honduras | 2 | 2 | — |
| Trinidad | 4 | 4 | — |
| Aruba | 1 | 1 | — |
| Barbados | 1 | 1 | — |
| U.S. Virgin Islands | 1 | 1 | — |
| Jamaica | 1 | 1 | — |
| Nicaragua | 1 | 1 | — |
| Totals | 29 | 29 | 2 |

During fiscal year 2012, the Company acquired land in south Cali, Colombia, on December 14, 2011, upon which it opened a new warehouse club on October 19, 2012. Additionally, on January 9, 2012 the Company entered into an agreement to acquire property located in La Union, Cartago, Costa Rica, upon which the Company anticipates constructing its sixth membership warehouse club in Costa Rica. The Company currently anticipates opening this club in the fall of calendar year 2013. Finally, on March 15, 2012 the Company acquired land in north Cali, Colombia upon which it anticipates opening a new warehouse club in the spring of calendar year 2013.

During fiscal year 2011, the Company opened a new warehouse club in Santo Domingo, Dominican Republic (“Arroyo Hondo”) on November 5, 2010. In addition, the Company also opened a new membership warehouse club in Barranquilla, Colombia on August 19, 2011. The Company also continues to export merchandise directly to a single retailer in the Philippines for which it earns approximately a five percent margin.

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

The Company's markets are located in countries/territories that are located in Latin America and the Caribbean. The Company's reportable segments are based on management's organization of these locations into operating segments by general geographic location. The Company's operating segments are the United States, Latin America and the Caribbean.

There has been no indication of a change in the moderate economic growth of the past two years within most of the Company's markets, particularly the Latin American segment. Generally, the rate of economic growth in the larger countries, such as Costa Rica, Panama, Guatemala, and Colombia are above that of the U.S. However, some of the smaller markets in which the Company operates are susceptible to specific events which can impact economic conditions and retail activity. For example, Aruba and USVI are being negatively impacted by the closure of refineries in Aruba and St. Croix. In addition, 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.

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, home improvement centers, electronic retailers 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 within the Company's markets. In addition, the local Costa Rican press has reported that Sam's Club plans to build and operate its first warehouse club within the Costa Rican market, but there has been no announcement by Wal-Mart. These actions may result in increased competition within the Company's markets. Further, it is possible that additional 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 that 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 monetary assets and liabilities within those markets that do not use the U.S. dollar as their functional currency. These monetary assets and liabilities include, but are not limited to, excess cash permanently reinvested offshore, U.S. dollar denominated long-term debt used to finance land acquisition and the construction of warehouse clubs, and the value of items shipped from the U.S. to the Company's foreign markets that are U.S. dollar denominated. Approximately 50.2% 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. 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; (3) reducing the time between the acquisition of product in U.S. dollars and the settlement of that purchase in local currency; and (4) by entering into interest rate swaps, cross currency interest rate swaps and forward currency derivatives. The Company has local currency-denominated long-term loans in Honduras and Guatemala; has interest rate swaps in Trinidad and Barbados; and has cross-currency interest rate swaps and forward currency derivatives in Colombia. Turbulence in the currency markets in the first quarter of fiscal year 2012 related to concerns over European sovereign debt had a negative impact on some of the foreign currencies of the countries in which the Company operates. For example, the Colombian peso devalued 9.3% against the U.S. dollar during the first quarter of fiscal year 2012, resulting in the Company's Colombian subsidiary recording approximately $1.5 million in currency losses upon the translation of U.S. dollar denominated liabilities. 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.

Business Strategy

PriceSmart is a membership warehouse club business. The Company's business strategy is to offer for sale to businesses and families a limited number of stock keeping units (SKU) covering a wide range of products at the lowest possible prices. The Company charges an annual membership fee to its customers. These fees combined with warehouse operating efficiencies and volume purchasing enable PriceSmart to operate its business on lower margins than conventional retail stores.

Generally, the Company's earnings and cash flow from operations improve as sales increase. Higher sales provide greater purchasing power and often result in lower product prices from the Company's suppliers. As the Company's and individual PriceSmart locations' sales volumes increase, operating efficiencies are often realized through the leveraging of fixed costs and by the introduction of more efficient operating processes. Further, increased sales permit the Company to leverage its selling, general and administrative expenses. 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. The combination of annual membership fees, operating efficiencies and low margins enable PriceSmart to offer its members high quality merchandise at very competitive prices which, in turn, enhances the value of the PriceSmart membership.

The Company seeks to increase sales by adding new PriceSmart locations both in existing markets and new markets where management believes new locations will provide long-range value to both our members and our stockholders. From time to time, the Company expands existing locations and makes other improvements to existing locations in order to enhance the value of our members' shopping experience.

Current and Future Management Actions

The Company opened a new warehouse club in Santo Domingo, Dominican Republic (“Arroyo Hondo”) on November 5, 2010, a new membership warehouse club in Barranquilla, Colombia on August 19, 2011, and most recently a new warehouse club in south Cali, Colombia, on October 19, 2012. The Company also entered into an agreement to acquire land in January 2012 located in La Union, Cartago, Costa Rica, upon which the Company anticipates constructing its sixth membership warehouse club in Costa Rica. The Company currently anticipates opening this club in the fall of calendar year 2013. Finally, on March 15, 2012 the Company acquired land in north Cali, Colombia upon which it is currently constructing a new warehouse club with an anticipated opening in the spring of calendar year 2013. The Company continues to explore other potential sites for future warehouse clubs in other major cities in Colombia as well as in its other markets.

In several existing warehouse clubs, the Company has undertaken expansions and related improvements that are designed to provide additional merchandise selling space and increase the capacity of our clubs to service our members and increase sales. During fiscal year 2012, the Company invested approximately $21.6 million in a number of warehouse clubs for these expansions and improvements.

Effective June 1, 2012, the Company raised the annual membership fee by approximately $5.00 in most markets. The annual fee for a Diamond membership in these markets is now approximately $35.00 (entitling members to two cards). A membership fee helps PriceSmart offer high quality merchandise at low prices providing value to its members.

The Company believes that its logistics and distribution operations are an important part of what allows PriceSmart to deliver high quality merchandise at low prices to our members. The Company continues to explore areas to improve efficiency, lower cost, and ensure a good flow of merchandise to our warehouse clubs. The Company is adding regional distribution centers in some of its larger markets (currently Costa Rica and Panama) to improve merchandise flow and lower costs, the benefit of which can be passed on to our members in the form of lower merchandise prices.

The Company seeks to enhance its long-term business performance by buying rather than leasing real estate. However, the Company has leased sites in the past and will likely do so again in the future. 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 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 obtained tenants 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.

Financial highlights for the fourth quarter of fiscal year 2012 included:

- Net warehouse club sales increased 14.4% over the prior year. The Company had one additional warehouse club for the fourth quarter of fiscal year 2012, compared to the fourth quarter of fiscal year 2011 (Barranquilla, Colombia was only open 12 days in fiscal year 2011). Comparable warehouse club sales (that is, sales in the warehouse clubs that have been open for greater than 13 1/2 calendar months) for the 13 weeks ending September 2, 2012 grew 10.1%.
- Membership income for the fourth quarter of fiscal year 2012 increased 21.6% to $7.3 million on a 16% increase in membership accounts from August 31, 2011 to August 31, 2012 due in part to strong new member sign-ups in Barranquilla and overall twelve-month renewal rates of 88%.
- Warehouse sales gross profits (net warehouse club sales, less associated cost of goods sold) for the quarter of fiscal year 2012 increased 19.7% over the prior year period and increased 67 basis points as a percent of net warehouse sales (0.67%), compared to the fourth quarter of last year.
- Selling, general and administrative expenses, including pre-opening expenses decreased 69 basis points as a percentage of sales (0.69% of sales), compared to the same quarter last year. The fourth quarter of fiscal year 2011 included a $2.3 million depreciation charge to correct an error associated with prior periods.
- Operating income for the fourth quarter of fiscal year 2012 was $27.9 million, an increase of $10.2 million over the fourth quarter of fiscal year 2011.
- Provision for income taxes for the fourth quarter of fiscal year 2012 was $9.2 million for an effective tax rate of 34.1%. In the fourth quarter of last year the provision for taxes was $5.4 million for a tax rate of 29.9%, which included a $3.1 million prior period benefit resulting from a correction of an error.
- Net income for the fourth quarter of fiscal year 2012 was $17.7 million, or $0.58 per diluted share, compared to $12.7 million, or $0.42 per diluted share, in the year earlier quarter.

Financial highlights for fiscal year 2012 included:

- Net warehouse club sales increased 19.4% to $2.0 billion for fiscal year 2012 and reflected the sales of one additional club in the year (Barranquilla, Colombia), compared to fiscal year 2011.
- Membership income for fiscal year 2012 was $27.0 million, an increase of 18.1% compared to fiscal year 2011. The number of membership accounts at year end was 965,601.
-

Gross profits (net warehouse sales less associated cost of goods sold) increased 18.1%. Gross profits as a percent of net warehouse sales were 14.8% for the full year, a decrease of 16 basis points (0.16%) from fiscal year 2011.

- Selling, General, and Administrative expenses, including pre-opening expenses improved 30 basis points as a percent of sales (0.30%).
- Operating income for fiscal year 2012 was $107.9 million, an increase of 21.9% from the prior year.
- Foreign exchange transactions resulted in a net loss of $525,000 for the fiscal year 2012 compared to a net gain in fiscal year 2011 of $3.1 million.
- Net income for fiscal year 2012 was $67.6 million, or $2.24 per diluted share, compared to $61.8 million, or $2.07 per diluted share, in the prior year.

Comparison of Fiscal Year 2012 to 2011 and Fiscal Year 2011 to 2010

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

| | Fiscal Years Ended August 31, | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | | 2010 |
| | Amount | % Change | | Amount | % Change | | Amount |
| Net Warehouse Club Sales | $2,000,046 | 19.4 | % | $1,675,247 | 22.7 | % | $1,365,801 |

Comparison of 2012 to 2011

Net warehouse club sales grew 19.4% in fiscal year 2012, compared to fiscal year 2011. The sales growth in the year reflected sales from one additional warehouse club in fiscal year 2012 (Barranquilla, Colombia) compared to fiscal year 2011. Overall sales growth was predominantly driven by transaction growth of 17.7%. The average value of each transaction grew 1.4%.

All merchandise categories and warehouse clubs had positive growth. Changes in exchange rates during fiscal year 2012 had no significant impact on sales, with most currencies showing a small devaluation against the U.S. dollar.

Net warehouse sales growth rate trended lower during the fiscal year, with year over year quarterly growth rates being 24%, 22%, 17%, and 14% for the first through fourth quarters of fiscal year 2012, respectively. Similarly, comparable warehouse clubs sales growth rates (as defined below) were 19%, 17%, 13% and 10% for the same quarters. The factors that may be contributing to this trend include: (i) general economic conditions in a few of our markets appear to be less robust than a year ago; and (ii) a number of warehouse clubs have experienced particularly strong sales growth for the past few years and we anticipate that maintaining such growth rates is quite challenging. Management will continue its on-going efforts to attract additional Pricesmart members, purchase new and exciting merchandise, and identify ways to improve operational efficiencies in order to strengthen the value proposition for our members.

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 in fiscal year 2010, which made the imported merchandise relatively more affordable to our members.

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.

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, sales related to 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 2012 to 2011

Comparable warehouse club sales for the 52-week period ended September 2, 2012 increased 14.5% compared to the same 52-week period last year.

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.

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 2012, 2011 and 2010 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.

| | Fiscal Years Ended August 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | | 2010 | | |
| | Amount | % of net revenue | | Amount | % of net revenue | | Amount | % of net revenue | |
| Latin America | $1,316,305 | 65.8 | % | $1,060,620 | 63.3 | % | $838,864 | 61.4 | % |
| Caribbean | 683,741 | 34.2 | % | 614,627 | 36.7 | % | 526,937 | 38.6 | % |
| Net Warehouse Club Sales | $2,000,046 | 100.0 | % | $1,675,247 | 100.0 | % | $1,365,801 | 100.0 | % |

| | Fiscal Years Ended August 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | |
| | Year-over-year increase | % change | | Year-over-year increase | % change | |
| Latin America | $255,685 | 24.1 | % | $221,756 | 26.4 | % |
| Caribbean | 69,114 | 11.2 | % | 87,690 | 16.6 | % |
| Net Warehouse Club Sales | $324,799 | 19.4 | % | $309,446 | 22.7 | % |

Comparison of 2012 to 2011

The higher net warehouse club sales growth in Latin America compared to the Caribbean reflects the sales associated with an additional warehouse club in this segment in fiscal year 2012 compared to fiscal year 2011 (Barranquilla, Colombia) and improved economic conditions in those larger and more diversified markets. There was no change in the number of warehouse clubs in the Caribbean segment between fiscal year 2011 and fiscal year 2012.

Comparison of 2011 to 2010

As with the prior year, the higher net warehouse club sales growth in Latin America compared to the Caribbean reflects improved economic conditions in those larger and more diversified markets. The local currencies in Costa Rica and Guatemala were strong in fiscal year 2011 compared to the US dollar, making the imported merchandise relatively more affordable to our members, contributing to higher sales in fiscal year 2011.

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, 2012, 2011 and 2010.

| | Fiscal Years Ended August 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | 2011 | | 2010 | |
| Sundries (including health and beauty aids, tobacco, alcoholic beverages, soft drinks, cleaning and paper products and pet supplies) | 26 | % | 26 | % | 27 | % |
| Food (including candy, snack foods, dry and fresh foods) | 53 | % | 52 | % | 51 | % |
| Hardlines (including major appliances, small appliances, electronics, hardware, office supplies, garden and patio, sporting goods, business machines and automotive supplies) | 13 | % | 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 | % |

Comparison of 2012 to 2011

The slight trend toward a higher mix of food continued in fiscal year 2012 was driven by growth in grocery and bakery.

Comparison of 2011 to 2010

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

Export Sales

| | Fiscal Years Ended August 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2012 | | | | 2011 | | | | 2010 |
| | Amount | Increase from prior year | % Change | | Amount | Increase from prior year | % Change | | Amount |
| Export sales | $15,320 | 6,489 | 73.5 | % | $8,831 | $4,692 | 113.4 | % | $4,139 |

The increases in export sales in both years were due to increased direct sales to a single institutional customer (retailer) in the Philippines as has been the case in each of the past two fiscal years for which the Company earns an approximately 5% margin.

Membership Income

| | Fiscal Years Ended August 31, 2012 | | | 2011 | | | 2010 |
|---|---|---|---|---|---|---|---|
| | Amount | Increase from prior year | % Change | Amount | Increase from prior year | % Change | Amount |
| Membership Income | $26,957 | $4,140 | 18.1 % | $22,817 | $3,075 | 15.6 % | $19,742 |
| Membership income % to net warehouse club sales | 1.3 % | | | 1.4 % | | | 1.4 % |
| Number of total accounts | 965,601 | 133,101 | 16.0 % | 832,500 | 115,500 | 16.1 % | 717,000 |

Comparison of 2012 to 2011

The Company ended the fiscal year with 965,601 membership accounts. Membership income, which is recognized ratably over the one-year life of the membership, grew 18.1% for the twelve months ended August 31, 2012 compared to same period in the prior year. The average membership fee per membership account sold during fiscal year 2012 increased to $30.39 from $29.41 last year largely related to an increase in the fee charged for membership beginning on June 1 in selected markets. The membership renewal rate for the 12-month periods ended August 31, 2012 and 2011 was 88%.

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.

Other Income

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

| | Fiscal Years Ended August 31, 2012 | | | 2011 | | | 2010 |
|---|---|---|---|---|---|---|---|
| | Amount | Increase from prior year | % Change | Amount | Increase from prior year | % Change | Amount |
| Other income | $8,422 | $1,070 | 14.6 % | $7,352 | $1,143 | 18.4 % | $6,209 |

Comparison of 2012 to 2011

For fiscal year 2012 compared to fiscal year 2011, in-store product demonstration revenue increased $1.4 million and rental income decreased $159,000. The decrease in rental income was a result of the sale in the third quarter of fiscal year 2011 of the former warehouse club in Los Pueblos, Panama, for which the Company had received $281,000 of rental income in that fiscal year and a decrease in third-party royalties and construction services of approximately $168,000. This was offset by new tenant leases within the San Fernando, Trinidad location.

Comparison of 2011 to 2010

For fiscal year 2011 compared to 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.

Gross Margin

Warehouse Sales Gross Profit and Gross Margin

| | Fiscal Years Ended August 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2012 | | | | 2011 | | | 2010 | |
| | Amount | Increase from prior year | % to sales | | Amount | Increase from prior year | % to sales | | Amount | % to sales | |
| Warehouse club sales | $2,000,046 | $324,799 | 100.0 | % | $1,675,247 | $309,446 | 100.0 | % | $1,365,801 | 100.0 | % |
| Less associated cost of goods | 1,704,131 | 279,475 | 85.2 | % | 1,424,656 | 266,749 | 85.0 | % | 1,157,907 | 84.8 | % |
| Warehouse gross profit margin | $295,915 | $45,324 | 14.8 | % | $250,591 | $42,697 | 15.0 | % | $207,894 | 15.2 | % |

Comparison of 2012 to 2011

For the fiscal year 2012, warehouse gross profit increased due to higher sales, but gross margins as a percent was lower than fiscal year 2011 by 14 basis points. Price reductions across most merchandise categories and geographies and higher importation costs on the initial investment in merchandise to supply the Barranquilla warehouse club during the first six months of operations combined to account for a 14 basis point (0.14%) reduction in warehouse gross profit margin as a percent of sales in the fiscal year.

Comparison of 2011 to 2010

For the fiscal year 2011, warehouse gross profit increased due to higher sales, but gross profit 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.

Export Sales Gross Profit Margin

| | Fiscal Years Ended August 31, | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | | | | 2011 | | | | 2010 | | |
| | Amount | Increase from prior year | % to sales | | Amount | Increase from prior year | % to sales | | Amount | % to sales | |
| Export sales | $15,320 | $6,489 | 100.0 | % | $8,831 | $4,692 | 100.0 | % | $4,139 | 100.0 | % |
| Less associated cost of goods sold | 14,649 | 6,277 | 95.6 | % | 8,372 | 4,482 | 94.8 | % | 3,890 | 94.0 | % |
| Export sales gross profit | $671 | $212 | 4.4 | % | $459 | $210 | 5.2 | % | $249 | 6.0 | % |

margin

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, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | | | | 2011 | | | | 2010 | |
| | 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 | $182,401 | 9.1 % | $27,582 | 17.8 % | $154,819 | 9.2 % | $28,545 | 22.6 % | $126,274 | 9.2 % |

Comparison of 2012 to 2011

Warehouse club operations expense as a percent of net warehouse sales decreased 12 basis points (0.12%) in fiscal year 2012 compared to fiscal year 2011. Excluding the infrastructure investment in Colombia and the higher cost of operations associated with operating only one club in Colombia, net warehouse expense would have decreased 20 basis points (0.20%). Of that reduction, depreciation expense contributed 13 basis points (0.13%) of improvement primarily because of to the $2.3 million charge taken in the fourth quarter of fiscal year 2011 to correct errors in the calculation of depreciation expense in prior periods. Credit card expense added 8 basis points (0.08%) of cost largely related to increased transaction fees for certain debit cards in some countries, including a $777,000 charge taken in the fiscal year 2012 for past debit card transaction fees that had not been previously charged to the Company by its third party processor. Expenses related to payroll, utilities and repair and maintenance all decreased as a percent of sales.

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. This had the effect of increasing warehouse operating expense in the current year as a percent of sales by 9 basis points (0.09%). On a same club basis, warehouse club operating expense decreased by 9 basis points (0.09% of sales) as most operating expenses grew slower than the sales growth rate. Most notably, payroll and related expenses improved 9 basis points (0.09% of sales). Depreciation expense increased by nearly 10 basis points (0.10% of sales) or $4.1 million, approximately $2.3 million of which 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 increased depreciation by approximately $300,000 per year going forward. All other non-payroll warehouse operating expenses collectively decreased by approximately 10 basis points (0.10% of sales).

General and Administrative Expenses

| Fiscal Years Ended August 31, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 2012 | | | | 2011 | | | | 2010 | |
| Amount | % to warehouse | Increase from | % Change | Amount | % to warehouse | Increase from | % Change | Amount | % to warehouse |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | club sales | | prior year | | | | club sales | | prior year | | | club sales |
| General and Administrative Expenses | $41,021 | 2.1 | % | $4,585 | 12.6 | % | $36,436 | 2.2 | % | $3,117 | 9.4 | % | $33,319 | 2.4 | % |

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Comparison of 2012 to 2011

Increased salaries and benefits for the Company's corporate and U.S. buying operations, including stock compensation expense resulting from restricted stock granted in January 2012 for approximately $1.6 million, accounted for most of the increase in general and administrative expenses for fiscal year 2012 compared to fiscal year 2011. 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 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.

Pre-Opening Expenses

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

| | Fiscal Years Ended August 31, | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | | 2010 |
| | Amount | Increase from prior year | % Change | Amount | Increase from prior year | % Change | Amount |
| Pre-opening expenses | $617 | $(791) | (56.2)% | $1,408 | $285 | 25.4% | $1,123 |

Comparison of 2012 to 2011

The majority of pre-opening expenses incurred in fiscal year 2012 were related to the activities of the Canas Gordas (Cali South) Colombia warehouse club which opened on October 19, 2012. In the prior year, pre-opening expenses were related to the Barranquilla, Colombia warehouse club and the Arroyo Hondo warehouse club which opened in Colombia in August 2011 and in the Dominican Republic in November 2010, respectively.

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 which required 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.

Operating Income

| | Fiscal Years Ended August 31, 2012 | | | | 2011 | | | | 2010 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | $107,926 | 5.4 % | 19,370 | 21.9 % | $88,556 | 5.3 % | $15,196 | 20.7 % | $73,360 | 5.4 % |

Comparison of 2012 to 2011 and 2011 to 2010

Operating income improved $19.4 million compared to the prior year period, resulting from higher sales and membership income, the leveraging of SG&A costs and reduced pre-opening expenses, offset by lower warehouse margins.

Interest Income

Interest income reflects earnings on cash and cash equivalent balances and restricted cash deposits.

| | Fiscal Years Ended August 31, 2012 | | 2011 | | 2010 |
|---|---|---|---|---|---|
| | Amount | Increase from prior year | Amount | Increase from prior year | Amount |
| Interest income | $908 | $56 | $852 | $299 | $553 |

Comparison of 2012 to 2011 and 2010

The increase in interest income from fiscal year 2012 to fiscal year 2011 was primarily due to an increase in restricted cash deposits made by the Company. Restricted cash deposits for this period were comprised of certificates of deposit with an average aggregate balance over the period of approximately $34.5 million with various banking institutions held as part of the Company’s loan agreements with those banks. In fiscal year 2011, restricted cash deposits were comprised of certificates of deposit with an average balance over the period of approximately $17.4 million held with various banking institutions as part of the Company’s loan agreements with those banks.

The increase in interest income from fiscal year 2010 to fiscal year 2011 was primarily due to the increase in the Company's average balance on restricted cash deposits from $6.0 million to $17.4 million.

Interest Expense

| | Fiscal Years Ended August 31, 2012 | | 2011 | | 2010 |
|---|---|---|---|---|---|
| | Amount | Increase from prior year | Amount | Increase from prior year | Amount |
| Interest expense on loans | $5,533 | $741 | $4,792 | $409 | $4,383 |
| Capitalized interest | (250) | 626 | (876) | 784 | (1,660) |
| Net interest expense | $5,283 | $1,367 | $3,916 | $1,193 | $2,723 |

Comparison of 2012 to 2011 and 2011 to 2010

Interest expense reflects borrowings by the Company's wholly owned foreign subsidiaries to finance new warehouse club construction and land acquisition and ongoing working capital requirements. The increase in interest expense for the fiscal year 2012 is due to an increase in debt incurred by the Company, primarily to finance its initial investment in Colombia, including the cost of land and warehouse club construction.  For the fiscal year 2012, the capitalized interest is related to the final construction activities for the Barranquilla, Colombia warehouse club, the build out of the excess land in San Fernando, Trinidad and the commencement of construction activities for the Cañas Gordas, Colombia warehouse club.  For the same period in fiscal year 2011, the capitalized interest is related to the final construction activities for the Arroyo Hondo, Dominican Republic warehouse club and the 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, 2012 | | | 2011 | | | 2010 |
|---|---|---|---|---|---|---|---|
| | Amount | Increase from prior year | % Change | Amount | Increase from prior year | % Change | Amount |
| Gain or (Loss) on sale of assets | $(312 ) | $(1,075 ) | (140.9 )% | | | | |