1999

ANNUAL REPORT

PRICESMART™
Membership Shopping

PriceSmart

Is a retail enterprise modeled after the first membership merchandising chain in the United States, the Price Club.

PriceSmart delivers significant value to the member-customer through an effective and efficient pipeline that leverages economies of scale in aggressive buying, low-cost distribution and streamlined operations.

Vision

To become part of our members' quality of life.

Mission

A strategically focused, volume-driven and entrepreneurial membership merchandise and services leader delivering quality, value and low prices to the rapidly emerging consumer class in Central America, the Caribbean and Asia.

PriceSmart Company Values

- Honesty and Integrity
- Fairness
- Talent and Passion
- Entrepreneurialism
- Teamwork and Communication
- Accountability to Mission

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Chairman's and President's Letter

Dear Stockholder:

Perhaps the single most important development of fiscal year 1999 was confirmation that PriceSmart's business model works. We've successfully demonstrated that the Company's value proposition of delivering quality goods and services at low prices can be effectively implemented even in emerging markets where geographic, population, and economic indicators, as well as language and cultural challenges, suggest that investment might be unfavorable or impractical. We have overcome many business obstacles that others have viewed as barriers. We have done so because we are on the ground, in-country, working closely with our partners, local governments and club members, operating in compliance with local government requirements.

We are, however, actually building more than an international warehouse club business. We are building international relationships. Acknowledging PriceSmart at the inauguration of our San Jose warehouse, Dr. Miguel Angel Rodriguez, President of Costa Rica said, "Peace is built through hard work and through opportunities for social promotion. Peace is achieved by the freedom to undertake projects that generate an abundance of goods for the people." As PriceSmart makes the basic food basket more affordable, the Company is setting a new standard in the market by delivering U.S. and local products at lower prices and higher quality for all consumers.

We are pleased with our operating results for the fiscal year ended August 31, 1999 as annual revenues increased 12% from $97.2 million for fiscal year 1998 to $108.9 million. Due to one-time costs associated with our aggressive rollout of new warehouses, the Company reported a loss of $3.9 million or $0.76 per share, versus net income of $3.0 million, or $0.50 per share, in fiscal year 1998. The 52-week trading price of PriceSmart stock per share increased 145% from $14.30 to $35. Commencing in August 1998 we bought back 977,614 shares of our stock at an average price of $15.48. Given the current market value of those shares, the purchase proved timely and beneficial to our shareholders.

During the fiscal year, the Company opened new warehouses in Guatemala, Costa Rica and El Salvador. As a result of these openings, sales in Latin America grew 85% from $48.3 million to $89.2 million. We anticipate an additional six to ten openings in fiscal year 2000 in Latin America and the Caribbean, and we expect revenues to grow accordingly.

Our licensee in China opened two additional locations in fiscal year 1999, and our licensee in Micronesia closed one warehouse. There are now four warehouses in China and one in Saipan. Sales at the Company's licensee warehouses in Asia were $65.3 million, down $21.0 million from the fiscal 1998 sales level of $86.3 million, primarily due to the termination of licensee agreements in the Philippines and Indonesia and the closure of the Guam location.

The travel business performed well in fiscal year 1999. We will continue to explore opportunities for the travel business and will determine the best approach to maximize stockholder value.

We introduced a strong marketing program as an important component of our club business. We analyze the market, build awareness of the concept, develop brand identity and stimulate membership before the doors open. As a result, our opening membership sales significantly exceed membership sales traditionally seen in the warehouse club industry. Recent warehouse club openings have seen initial memberships surpass 20,000. Brand preference is so strong that PriceSmart membership is viewed as a measure of status in our markets.

We are proud of our ability to open new locations quickly in compliance with, and often exceeding, local regulations. In September 1998, we entered an agreement with PSC, S.A. to form a joint venture company to open nine warehouses in Costa Rica, the Dominican Republic, Honduras, El Salvador and Nicaragua. Less than ten months later, we opened our first warehouse in San Jose, Costa Rica. Two months later, we opened a warehouse in San Salvador, El Salvador, and approximately one year after signing our agreement with PSC, S.A., we opened our warehouse in San Pedro Sula, Honduras. Our agreement with Guatemala-based Grupo Solid, S.A., was signed in July 1998 and within nine months our first warehouse was opened in Guatemala City.

Through September 1999 we have six warehouses operating in Central America: two in Panama, and one each in Costa Rica, El Salvador, Guatemala and Honduras. With our joint ventures, we have agreed to open up to eleven additional locations in Central America and the Caribbean. In addition, the Board of Directors recently approved a plan to open a wholly-owned store in the U.S. Virgin Islands.

We are excited about our growth potential. It will be fueled with the momentum gained through execution of our business model and dedication to our core values and principles. We believe in our team and have highlighted our senior executives in the following two pages. We are driven to succeed because we have confidence in our core business and we are making a difference in the lives of our members. Throughout all of this, we remain committed to maximizing the long-term value for our stockholders.

Robert E. Price

Gil Partida
President and
Chief Executive Officer

Robert Price
Chairman

November 29, 1999
San Diego, California

PriceSmart Management Team

Allan Youngberg, Robert Gans and Kurt May (left to right)

Gilbert A. Partida
President and Chief Executive Officer

Gilbert Partida has been President and CEO since January, 1998. He came to PriceSmart from the Greater San Diego Chamber of Commerce, where he was the youngest and first Hispanic to head a major metropolitan U.S. chamber of commerce. Prior to that, he founded and chaired the Mexican practice group for Gray Cary Ames & Frye, one of San Diego's premier law firms. He has also served as Vice President for Partida Brokerage, a U.S. customs house brokerage. He is a 1987 cum laude graduate of Pepperdine University School of Law, and a Phi Beta Kappa graduate of the University of Arizona. In addition to being a community leader, Partida is a recognized expert on international trade matters, a speaker on trade and trade-related issues and a published author.

Kurt A. May
Executive Vice President and Chief Operating Officer

Kurt May joined PriceSmart in October 1998 after a 23-year career with GTE Corp serving most recently as area president of GTE's cellular telephone operations. Among his prior positions, he was in charge of GTE's investor relations program and gained considerable Wall Street expertise. An engineer with an MBA, he has strong operations management skills, expatriate experience in Latin America and deep knowledge of communications technology.

Robert M. Gans
Executive Vice President, Secretary and General Counsel

Robert Gans has been Executive Vice President, General Counsel and Secretary of the Company since August 1997. Prior to that, he was Executive Vice President and General Counsel of Price Enterprises, Inc., from 1994 to 1997. A 1975 UCLA School of Law graduate, he actively practiced law in private practice from 1975 until 1994. From 1988 until 1994, he was the Senior Member of the law firm of Gans, Blackmar & Stevens, A.P.C., in San Diego, California.

Allan C. Youngberg
Executive Vice President and Chief Financial Officer

Allan Youngberg has a 10-year background in the international warehouse merchandising industry. Prior to joining PriceSmart, he served as Executive Vice President and CFO of Cost-U-Less Inc., which operates in nine countries. He also was president of his own CPA firm, Youngberg & Schumacher from 1984 to 1992. Youngberg received a BA in Business Administration from the University of Washington and is a Certified Public Accountant.

Kevin C. Breen
Executive Vice President - Operations

Kevin Breen was instrumental in developing the operational efficiencies that form the foundation of the membership shopping industry. He has demonstrated much of that skill during his fifteen-year domestic and five-year international tenure in warehouse operations. He has supervised PriceSmart's international operations in Asia and Central America, including development, implementation and day-to-day operations. Previously, he was Vice President of Price/Costco, Inc., managing 17 Southern California locations.

Thomas D. Martin
Executive Vice President - Buying

Thomas Martin has a 26-year background in the warehouse merchandising industry. He learned the philosophy of the "Six Rights of Merchandising" from the industry's founders, Sol and Robert Price. Today, he is applying his experience in retail by directing the Buying and Distribution Departments. Previously, he directed merchandising strategies and product sourcing in various management roles for Price Enterprises, Inc., Price/Costco, Inc. and The Price Company.

Tom Martin and Kevin Breen (left to right)

Ron W.O. deHarte
Senior Vice President - Marketing and Communications

Ron deHarte leads PriceSmart's successful media relations, membership drive and marketing strategies in Central America and the Caribbean. Before joining PriceSmart, he served as Executive Vice President and Chief Operating Officer of the Greater San Diego Chamber of Commerce. Previously, he developed solid marketing and advertising skills in Los Angeles as the manager of Publicity and Promotion of Cinamerica Theaters, a subsidiary of Paramount Pictures and Warner Brothers. He received a BA in Speech Communications from California State University at Northridge.

Brud E. Drachman
Senior Vice President - Engineering and Construction

Brud Drachman is a mechanical engineer with 25 years experience. He has been instrumental in the construction of more than 150 shopping warehouses worldwide, including the United States, China, Central America and Korea. He is leading PriceSmart's international expansion effort through site selection and real estate acquisitions in emerging markets. His experience has been vital in the success of PriceSmart's expansion program.

John D. Hildebrandt
Senior Vice President and Managing Director - Latin America Operations

John Hildebrandt has 15 years experience in warehouse management. He began his career with The Price Company in 1979 serving as a warehouse manager for Price Club, and subsequently as regional manager for Price/Costco, Inc. and country manager of Price Enterprises, Inc. in the Philippines. Currently, he is responsible for PriceSmart operations in Panama, Costa Rica and the Dominican Republic. Next year, he will have operational responsibility for all warehouse operations in Central America.

Richard Kiy
Senior Vice President - Business Development

Richard Kiy joined PriceSmart in August 1999. He has a background in information technology, international trade, business development and government relations. Most recently, he served as Principal Deputy Assistant Secretary of U.S. Department of Energy in Washington, D.C. At SAIC, he managed the Mexico subsidiary and then worked with its Venezuelan joint venture. His trade experience includes serving as a Legislative Fellow in the U.S. Congress supporting passage of the NAFTA. He holds a M.P.A. from Harvard University and a BA in Economics from Stanford University.

William J. Naylon Jr.
Senior Vice President - Latin America Operations

William Naylon has 14 years experience in the warehouse merchandising industry. He was the managing director of operations for Price Enterprises, Inc. and PriceSmart in Asia, where he was instrumental in development of the operational headquarters and all warehouse openings. Currently, he oversees operations in Guatemala, Honduras and El Salvador. Next year, he will lead our warehouse operations in the Caribbean.

Ron deHarte, Brud Drachman, Ed Oats, Dan O'Connell and Richard Kiy (left to right)

Daniel O'Connell
Senior Vice President - Finance

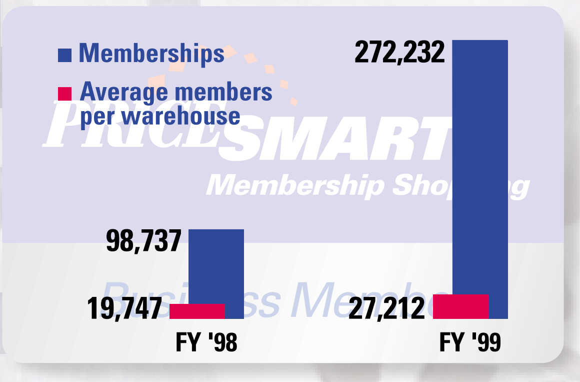
Daniel O'Connell came to PriceSmart with extensive experience in managing the financial infrastructure of fast growth, developing enterprises, including Sprint and GTE Interactive Media. He served as assistant controller at Sprint during its formative years. His two decades of experience in accounting and finance includes developing financial applications for GTE operations worldwide, Sylvania and GTE Government Systems. He holds a BA in Business Administration from Kent State University and is a Certified Public Accountant.

Edward Oats
Senior Vice President - Information Technology

Edward Oats has successfully combined his 12-year background in warehouse operations with his extensive information technology knowledge to create a state-of-the-art system that has kept PriceSmart on the leading edge of the technological revolution. He has also directed the information system installation for Price Club and Costco warehouses in Korea and Mexico. Prior to working for The Price Company, he was an information systems consultant for Ford, Nissan and Caterpillar.

John Hildebrandt and William Naylon Jr. (left to right)

PriceSmart Membership Growth Asia and Latin America



PriceSmart Membership Profile Latin America

Male	45%
Female	55%
Avg. Age	39 yrs.
Avg. Household Size	4.15

PriceSmart: An International Vision Quickly Becomes Reality

Surging numbers of member-customers is proof of membership shopping's special appeal overseas.

PriceSmart's founders, Sol and Robert Price, knew there was tremendous potential in taking U.S.-style membership warehouse shopping to an international audience when they launched the Company in 1997. Indeed, membership in PriceSmart has become more than a way to obtain top value in products and services. Membership is a prestigious status symbol in many PriceSmart communities.

Our members enjoy the shopping experience they find at PriceSmart. They appreciate the selection and low price of the products and services offered to them, whether they're made in the U.S. or locally. It's why the membership-shopping concept has been so well received at every PriceSmart location.

That kind of emotional reaction from customers is what fuels the growth of PriceSmart membership. Modeled after the Price Club, the first membership merchandising chain in the U.S., PriceSmart today is a true growth company with an expanding location count and a growing member-customer base.

"Our family loves coming to PriceSmart because it has products we can't buy anywhere else and because we can save so much money. It's also a lot of fun."

Sra Adriana Molina
PriceSmart member

PriceSmart's target customer group is the rapidly emerging consumer class in Central America, the Caribbean and Asia, which purchases business supplies and consumer products for family and personal use. The product mix includes high-quality U.S. and international brand names, private labels and locally produced merchandise that appeals to consumers, government agencies and business groups.

The Company's rapid growth is a result of its efficient and aggressive low cost sourcing, distribution and operations. This has enabled PriceSmart to bring high quality U.S. and local merchandise to areas that have never before enjoyed such benefits.

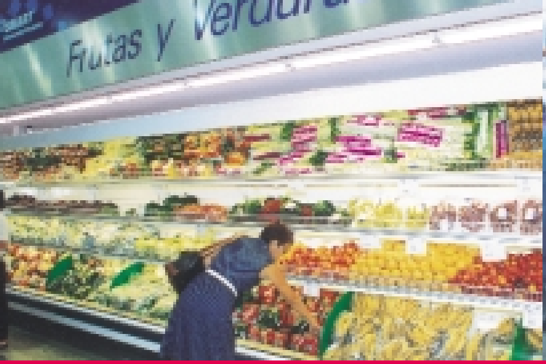
Membership Benefits

PriceSmart cardholders have access to merchandise and services at low, U.S.-style warehouse prices. Members enjoy three key benefits:

- Low prices on U.S., international and local products
- High-quality merchandise and services
- Excellent values on name-brand products for less

"Ventajas" magazine unites the region and keeps PriceSmart members informed.

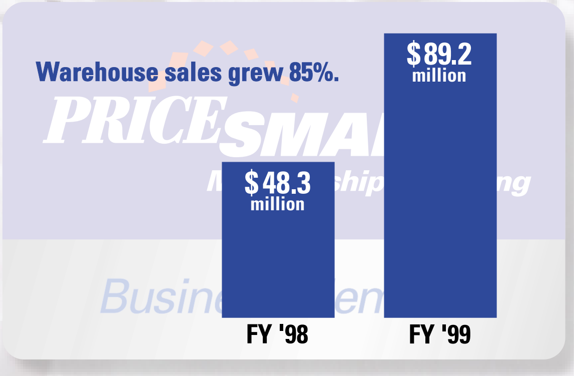
PriceSmart's colorful and informative "Ventajas" membership magazine reinforces the value of membership and provides information on PriceSmart products and services to our members.



PriceSmart members can choose from a wide range of products and services available to them in a unique U.S.-style warehouse shopping environment. They include:

- Fresh beef and poultry
- Top quality produce
- Frozen foods
- Fresh bakery products
- Rotisserie chicken and ribs
- New York-style fresh pizza
- Deli
- One-hour photo processing
- Clothing
- Electronics
- Business supplies
- Home furnishings
- Health and beauty aids
- Snacks and beverages
- Banking services
- Cellular telephones and pagers
- Telephone cards
- Tire center

PriceSmart Warehouse Sales Latin America



The Six Rights of Merchandising

The membership merchandising business was created on what Price Club founders Sol and Robert Price call "The Six Rights of Merchandising." They provide the basis of PriceSmart's merchandising philosophy and business practices and are emphasized in operations at all levels.

Simply stated, "The Six Rights of Merchandising" require that PriceSmart has the Right Merchandise, in the Right Place, at the Right Time, in the Right Quantity, in the Right Condition, at the Right Price.

We also emphasize The Right Service. PriceSmart will meet or exceed customer expectations with an emphasis on delivering quality and creating a positive shopping experience.

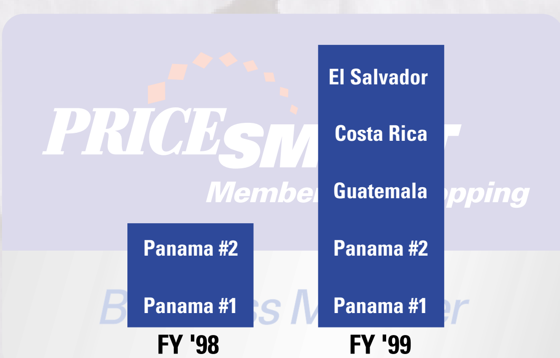
Focusing on these fundamentals enables PriceSmart to bring unique value to the marketplace.

"Definitely, PriceSmart, with its revolutionary style, has renovated the retail system, providing a new alternative that promises to offer the consumer a variety of products at prices that are more accessible and higher quality, all within a very pleasant environment."

Mireya Moscoso
President of Panama
Speaking at the opening of the third PriceSmart warehouse in Panama. November 12, 1999

PriceSmart Membership Shopping warehouse in San Pedro Sula, Honduras.

PriceSmart Warehouses in Operation Latin America

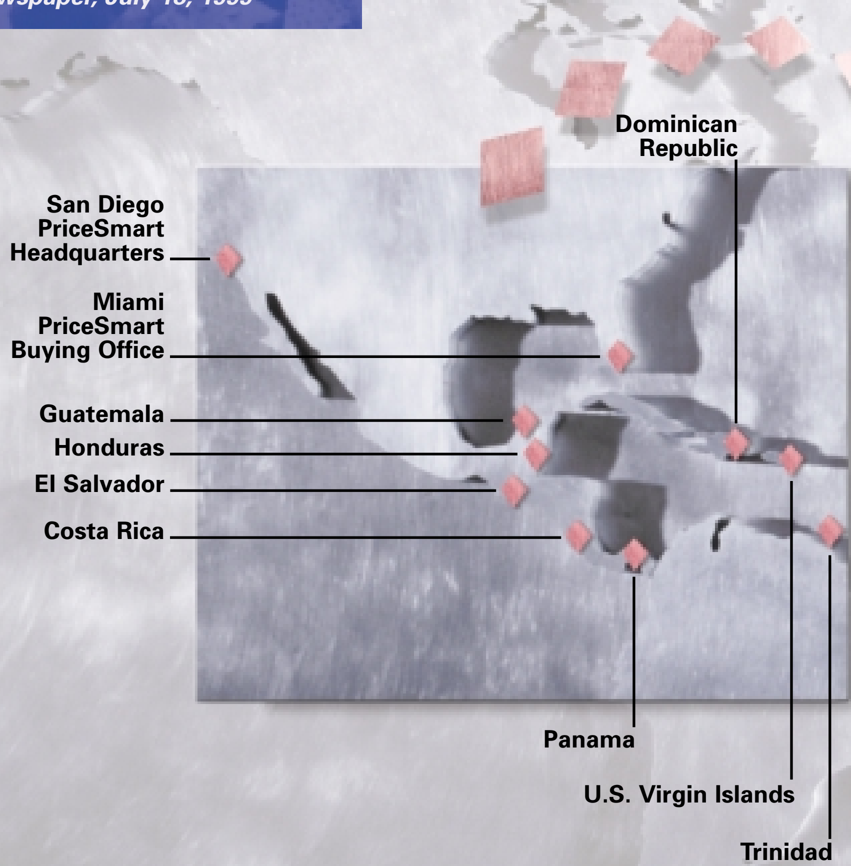


PriceSmart Expansion Ahead of Schedule

> ***"Offering the lowest prices has become a challenge for supermarkets but a benefit for consumers...One of the first effects of PriceSmart's entrance into the Costa Rican market is the challenge to the competition to lower prices."***
>
> ***La Republica newspaper, July 18, 1999***

The past year was one of strong growth for PriceSmart, particularly in Central America. The joint ventures the Company entered into with business leaders in that region began to flourish with the opening of three new PriceSmart locations.

PriceSmart's agreement with Grupo Solid (Guatemala), S.A. formed a new company in 1998 to open warehouses in Guatemala. The first PriceSmart warehouse in the region opened in Guatemala City, Guatemala in April 1999.



Currently Open Locations*

Panama #1
October 1996

Panama #2
December 1997

Guatemala
April 1999

Costa Rica
June 1999

El Salvador
August 1999

Honduras
September 1999

Panama #3
November 1999

PriceSmart's agreement with PSC, S.A. that formed a new company in 1998 to open warehouses in Costa Rica, El Salvador, Honduras, the Dominican Republic and Nicaragua has also already resulted in new stores. Two months after the opening in Guatemala, the Company opened a warehouse in San Jose, Costa Rica in June 1999, an El Salvador location opened in the city of Santa Elena in August 1999, and a location in San Pedro Sula, Honduras opened its doors in September 1999. The first two Dominican Republic locations are scheduled to open in December 1999.

In Panama, PriceSmart operates two warehouses and opened a third location in November 1999.

In Asia, PriceSmart has five stores operating in China and Saipan under licensee agreements.

*Additional Planned Locations**

Dominican Republic #1
December 1999

Dominican Republic #2
December 1999

Costa Rica #2
Spring 2000

El Salvador #2
Spring 2000

Dominican Republic #3
Summer 2000

Guatemala #2
Summer 2000

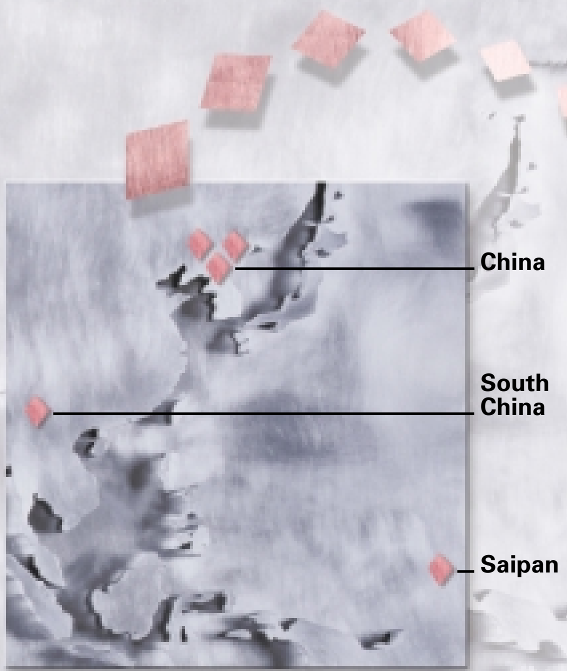
Honduras #2
Summer 2000

Panama #4
Summer 2000

Trinidad #1
Summer 2000

Costa Rica #3
Summer 2000

U.S. Virgin Islands
Fall 2000



*Currently Opened Licensee Locations**

Bejing, China

Haidan
January 1997

Jin Song
April 1998

Yu Quan
April 1999

South China

Kunming
February 1999

Saipan
May 1995

As of November 1999

> *"We appreciate the collaboration of companies that come to generate new business, sources of employment, and income for many Costa Rican families. Thank you PriceSmart for investing in Costa Rica, thank you for promoting strong competition among the different market participants, and, in particular, for benefiting the Costa Rican consumer."*
>
> *Dr. Miguel Angel Rodriguez*
> *President of Costa Rica*
> *Speaking at the opening of the first PriceSmart warehouse in Costa Rica.*
> *June 23, 1999*

PriceSmart Goal: Aggressive Expansion

PriceSmart expansion has been rapid since the Company was launched in 1997. However, the pace of growth over the next few years is expected to be even faster. In the coming year, PriceSmart is planning to open six to 10 additional locations in four countries.

PriceSmart Membership Shopping warehouse in Guatemala City, Guatemala.

www.**pricesmart**.com

www.pricesmart.com is a window of unique opportunities. Whether you are a member, an investor, a vendor, a qualified job seeker, or are in search of great vacation values, a visit to our site will be productive. Visit us online at www.pricesmart.com.

Financial Information

PRICESMART™ Membership Shopping

Selected Financial Data (In Thousands, Except Earnings (Loss) Per Share)

The following table sets forth selected consolidated financial data of the Company for the five fiscal years ended August 31, 1999.

	Selected Consolidated Financial Data (Amounts in Thousands, Except Earnings (Loss) Per Share) Fiscal Years Ended August 31 (1)				
	1999	1998	1997 (2)	1996 (2)	1995 (2)
Income Statement Data:					
Net warehouse sales	$ 89,184	$ 48,287	$ 21,750	$ -	$ -
Export sales	6,773	32,813	37,292	36,211	66,573
Membership, royalties and fees	2,008	2,720	3,139	2,164	553
Auto, travel and other programs	10,907	13,368	12,194	9,875	8,769
Total revenues	108,872	97,188	74,375	48,250	75,895
Cost of goods sold	84,638	74,684	55,947	34,644	62,756
Selling, general and administrative (3)	32,021	26,421	25,993	31,069	33,337
Preopening expenses	4,949	433	614	-	-
Operating loss	(12,736)	(4,350)	(8,179)	(17,463)	(20,198)
Interest and other income (expenses), net (4)	9,034	7,492	1,237	(696)	3,793
Income (loss) before provision for income taxes	(3,702)	3,142	(6,942)	(18,159)	(16,405)
Net income (loss)	$ (3,892)	$ 3,028	$ (24,843)	$ (11,423)	$ (12,517)
Earnings (loss) per share:					
Basic (5)	$ (0.76)	$ 0.51	$ (4.20)	$ (1.93)	$ (2.12)
Diluted (5)	(0.76)	0.50	(4.20)	(1.93)	(2.12)
Balance Sheet Data:					
Cash and cash equivalents	$ 14,957	$ 5,639	$ 58,383	$ -	$ -
Marketable securities	17,627	56,133	-	-	-
Total assets	152,074	124,576	125,885	97,981	107,085
Long-term debt	7,787	-	-	-	-
Stockholders' equity (6)	93,861	103,081	107,172	86,990	92,556

(1) Effective September 1, 1997, the Company changed its 52/53 week fiscal year which ends on the Sunday nearest August 31 to a fiscal year end of August 31. For ease of presentation, all fiscal years in this report are referred to as having ended on August 31.

(2) Prior to fiscal year 1998, the Company operated as certain subsidiaries of Price Enterprises, Inc. ("PEI"). Accordingly, the financial data of the Company during each of the three fiscal years ended August 31, 1997 has been prepared as though the Company had been a stand-alone business. See Note 1 of "Notes to Consolidated Financial Statements" included in this report.

(3) Prior to fiscal year 1998, PEI provided administrative services to the Company. Amounts allocated to the Company for corporate administrative expenses for fiscal years 1997, 1996, and 1995 were $1,065, $1,350, and $1,363, respectively.

(4) Interest and other income (expenses), net, include interest income, gains and losses on sale of assets, interest on bank borrowings of joint venture businesses and minority interest of shareholders in joint venture businesses.

(5) For each of the fiscal years 1995 through 1997, loss per share is based on the 5,908,235 shares issued in connection with the Distribution. (See Note 1 "Notes to Consolidated Financial Statements.")

(6) Prior to fiscal year 1998, stockholders' equity represents the net assets transferred and the earnings of the businesses and assets comprising PriceSmart, Inc. on a historical basis.

Management's Discussion and Analysis of Financial Condition and Results of Operations

This Annual Report contains forward-looking statements concerning the Company's anticipated future revenues and earnings, adequacy of future cash flow, expected year 2000 readiness, and related matters. (These forward-looking statements include, but are not limited to, statements containing the words "expect", "believe", "will", "may", "should", "project", "estimate", 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 SEC reports, including the Company's Form 10-K filed pursuant to the Securities and Exchange Act of 1934.

The following discussion and analysis compares the results of operations for each of the three fiscal years ended August 31, 1999, and should be read in conjunction with the consolidated financial statements and the accompanying notes included elsewhere in this report.

In fiscal 1999, the Company opened three new US-style membership shopping warehouses under joint venture arrangements in Latin America: one in Guatemala (April 1999), one in Costa Rica (June 1999) and one in El Salvador (August 1999), bringing the total number of warehouses in operation under joint venture arrangements to five as of August 31, 1999. Our licensee in China opened two warehouses during fiscal 1999 bringing the total number of licensee warehouses in operation to five as of August 31, 1999. In fiscal 1998, the Company opened one new US-style membership shopping warehouse under a joint venture arrangement in Panama and two warehouses were opened by licensees, one in China and one in the Philippines. The Asian financial crisis resulted in four licensee owned and operated warehouse closures (one in Guam, one in the Philippines, and two in Indonesia) during fiscal 1998.

Net warehouse sales (from the Company's joint venture locations in Latin America) increased 85% to $89.2 million in fiscal 1999 from $48.3 million in fiscal 1998. The increase was a result of three new warehouses opened during fiscal 1999 and a full year of operations for a warehouse opened in December 1997. Net warehouse sales increased 122% to $48.3 million in fiscal 1998 from $21.8 million in fiscal 1997. The increase was due to the opening of a second warehouse in December 1997 and a full year of operations from a warehouse opened in October 1996. During fiscal 1997, warehouse sales of $21.8 million were from the Company's first warehouse that opened in Panama in October 1996.

The Company's warehouse gross margins (operating under joint venture arrangements) for fiscal 1999 increased to 12.4% from 11.7% and 10.9% for fiscal years 1998 and 1997, respectively. The increases in warehouse gross margin was primarily due to the Company's increased sales from higher margin departments including food services, photo processing and bakery departments.

Export sales to the Company's licensee warehouses in Asia decreased 79% to $6.8 million in fiscal 1999 from $32.8 million in fiscal 1998. The decrease was primarily due to the closure of licensee owned and operated locations in fiscal 1998 that exceeded the additional sales to two new licensee warehouses opened in China in fiscal 1999. Export sales decreased 10% to $32.8 million in fiscal 1998 from $36.3 million in fiscal 1997. The decrease was primarily due to the Asian economic crisis, and the decision in fiscal 1997 to discontinue the export trading business, which had been selling U.S.-sourced goods to customers in Hong Kong and Mexico.

The Company's export sales gross margin for fiscal 1999 was 3.2% compared to 2.3% and 4.3% for fiscal years 1998 and 1997, respectively. The change in gross margin year over year was due to the volume of sales to licensees with varying agreements to the margin the Company can earn.

Membership, royalties and fees decreased to $2.0 million in fiscal 1999 from $2.7 million and $3.1 million in fiscal 1998 and 1997, respectively. Membership fees (including other warehouse income) increased 30% to $1.3 million in fiscal year 1999 from $1.0 million in fiscal 1998. The increase was a result of the new Latin American warehouses and an increase in average memberships per warehouse. Membership fees (including other warehouse income) increased 39% to $1.0 million in fiscal 1998 from $717,000 in fiscal 1997 due to one new warehouse opened in fiscal 1998. Royalties and fees decreased to $674,000 in fiscal 1999 from $1.7 million and $2.4 million for fiscal 1998 and 1997, respectively. The decreases were a result of reduced sales to licensees as disclosed above.

Auto, travel and other program revenues decreased 18% to $10.9 million in fiscal 1999 from $13.4 million in fiscal 1998. The decrease was due to the sale of the auto referral business in mid fiscal 1999, partially offset by an increase in travel program revenues. The travel program generates most of its revenue through an agreement with Costco Companies, Inc. ("Costco") that expires November 30, 1999. The Company currently is engaged in discussions with Costco to extend the agreement through February 2000, but there can be no assurance the agreement will be extended. However, in anticipation of the expiration of the Costco travel service contract, the Company has entered into agreements with Farmers Insurance Group and 20th Century Insurance Group, pursuant to which the Company will offer discount travel services to new customers, employees and agents. Auto, travel and other program revenues increased 2% to $13.4 million in fiscal 1998 from $13.2 million in fiscal 1997.

Selling, general and administrative expenses include the operating expenses related to the Company's warehouse operations, operating expenses related to the auto, travel and other programs and corporate administrative expenses. Selling, general and administrative expenses increased to $32.0 million in fiscal 1999 from $26.4 million in fiscal 1998. Warehouse operating expenses increased in fiscal 1999 primarily due to three new warehouses opened during fiscal 1999 and a full year operations from one warehouse opened in fiscal 1998. Corporate administrative expenses increased in fiscal 1999 to support the Company's planned expansion through the opening of six to ten additional warehouses in fiscal 2000. Selling, general and administrative expenses increased in fiscal 1998 to $26.4 million from $26.0 million in fiscal 1997. The increase was primarily from a second warehouse opened in December 1997 and a full year of operations for a warehouse opened in fiscal 1997, and was reduced by the reversal of a prior year's reserve for doubtful accounts receivable in the amount of $702,000.

Preopening expenses increased to $5.0 million in fiscal 1999 from $433,000 in fiscal 1998 as a result of opening three warehouses in fiscal 1999 and costs incurred during fiscal 1999 relating to additional warehouses scheduled to open in fiscal 2000. Preopening expenses in fiscal 1998 declined to $433,000 from $614,000 in fiscal 1997. One warehouse was opened in each of these years.

Interest income, net, reflects earnings on marketable securities, cash and cash equivalent balances, City Notes (See "Notes to Consolidated Financial Statements") and certain secured notes receivable from buyers of formerly owned properties and reduced by interest expense on bank borrowings at the Company's joint ventures. Interest income, net, decreased to $5.1 million in fiscal 1999 from $6.2 million in fiscal 1998 primarily due to decreased balances in cash and cash equivalents and marketable securities as a result of the Company's use of cash to finance the Company's expansion and increased interest expense on bank borrowing during fiscal 1999 at the Company's joint ventures. Interest income, net, increased to $6.2 million in fiscal 1998 from $2.8 million in fiscal 1997 primarily due to increased balances in cash and cash equivalents and marketable securities.

Other income increased to $3.0 million for fiscal 1999 from $1.5 million in fiscal 1998. The increase was due to gain on the sale of marketable securities of $959,000 and a $798,000 gain on the sale of the Company's auto referral business, offset by a decline in profits from the Company's real estate operations. The Company expects to wind down its remaining real estate operations in fiscal 2000 as it sells its remaining properties held for sale. For fiscal 1998, other income was $1.5 million compared to other expense of $1.5 million in fiscal 1997. The change between years was a result of gain on disposition of properties held for sale in fiscal 1998, and a non-cash charge for provision for asset impairment of $2.0 million in fiscal 1997.

Minority interest relates to an allocation of the joint venture income (losses) to the minority interest shareholders respective interests.

Provision for income taxes increased to $190,000 in fiscal 1999 from $114,000 in fiscal 1998. The provision for income taxes relates to foreign taxes on the Company's respective share of profit of the Company's Panama joint venture. No deferred tax benefit has been recognized on net operating losses. Because the realization of such deferred tax assets is not certain, a full valuation allowance was established. As of August 31, 1999, the Company had Federal and State net operating loss carryforwards of approximately $29.4 million and $11.1 million, respectively. The Federal and California tax loss carryforwards will begin expiring in 2010 and 2001, respectively, unless previously utilized.

Liquidity and Capital Resources

The Company's primary capital requirement is the financing of land acquisition, construction and equipment costs for new warehouses plus the cost of preopening and working capital requirements, through investments in foreign joint ventures.

During fiscal 1999, the Company entered into a joint venture agreement with PSC, S.A., whose stockholders are Latin American businessmen, to open a minimum of nine PriceSmart membership shopping warehouses in Costa Rica, Dominican Republic, El Salvador, Honduras, and Nicaragua. The total cost of the project is projected at $80.6 million of which $33.8 million was contributed in cash by the shareholders (including the Company) and $46.8 million is to be borrowed. The Company is currently negotiating the terms of the required financing facilities. PriceSmart owns 60% of this venture. The Company opened its first two stores under this agreement in Costa Rica (June 1999) and El Salvador (August 1999).

During fiscal 1999, the Company entered into a joint venture agreement with investors from The Republic of Trinidad and Tobago to open a minimum of two PriceSmart membership shopping warehouses in Trinidad. The total cost of the project is projected at $20.0 million of which $8.0 million is to be contributed in cash by the shareholders (including the Company) and $12.0 million is to be borrowed. The Company owns 60% of this venture.

During fiscal 1999, the Company repurchased 150,000 shares of its common stock for $2.2 million, completing a 700,000 share repurchase program initiated during fiscal 1998 in conjunction with the 1998 Equity Participation Plan. Repurchased shares were added to the Company's treasury shares. The Company also announced that it would use up to an additional $5.0 million to repurchase shares of the Company's common stock. During fiscal 1999, the Company repurchased 283,614 shares under this program for $4.4 million.

In December 1998, the Company's Guatemalan subsidiary entered into a three-year bank term loan with a principal amount of approximately $4.0 million. The loan requires quarterly payments of interest at 14%. The loan matures on December 10, 2001, at which time the principal amount is due. The loan is secured by aggregate collateral deposits of approximately $4.0 million contributed by the Company and the minority interest shareholder.

In May 1999, Pricsmarlandco, S.A., a wholly-owned subsidiary of PSMT Caribe, Inc., entered into a three-year bank term loan with a principal amount of approximately $3.8 million. The loan requires quarterly payments of interest at three-month LIBOR plus .25% (5.3938% as of August 31, 1999) through September 15, 1999, then 14% thereafter. The loan matures on May 31, 2002, at which time the principal amount is due. The loan is secured by a collateral deposit of approximately $3.8 million contributed by PSMT Caribe, Inc.

During fiscal 2000, management's current intention is to spend an aggregate of approximately $91.0 million (through its foreign joint ventures) for expansion in Latin America and the Caribbean to open up to ten new warehouses. However, actual capital expenditures for new warehouse locations and operations may vary from estimated amounts depending on the number of new warehouses opened, business conditions and other risks and uncertainties to which the Company and its businesses are subject. The Company, through its foreign joint ventures, intends to borrow approximately $61.0 million during fiscal 2000 to finance these expenditures which will be secured by the land, building, equipment and inventories at the new warehouses. The Company is currently evaluating several financing proposals and believes that the financing facilities for the new warehouse locations will be completed as required. The balance of these expenditures will be financed through a combination of cash, cash equivalents, marketable securities, cash from operations of the Company's businesses, payments from the City Notes and other note receivables.

Seasonality

Historically, the Company's merchandising businesses have experienced moderate 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, timing of shipments, product mix, and currency effects on the cost of U.S.-sourced products which may make these products more expensive in local currencies and 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.

Impact of Year 2000

The year 2000 issue results from computer programs and hardware being written with two digits rather than four digits to define the applicable year. As a result, there is a risk that date sensitive software may recognize a date using "00" as the year 1900, rather than the year 2000. This potentially could result in system failure or miscalculations causing disruptions of operations, including a temporary inability to process transactions or engage in normal business activities.

The Company has received statements of year 2000 readiness from its key hardware, software and imbedded system vendors, and has additionally conducted internal testing of its transaction processing systems. The Company has assessed readiness of its custom programs, has modified these programs as needed, and has tested these modifications for year 2000 readiness. In addition to testing its programs and systems individually, the Company has performed "end-to-end" testing of its internal systems involved in its supply chain, including purchasing, distribution, sales, and accounting. During this testing, no errors were found related to date processing before or after January 1, 2000, including treatment of year 2000 as a leap year. The Company will continue to test its hardware, software, and imbedded systems as they are added or modified.

Additionally, the Company has contacted and will continue to contact significant vendors, suppliers, financial institutions and other third party providers upon which its business depends in an effort to determine such providers' year 2000 readiness. The Company evaluates the potential business impact of non-responsive or non-compliant providers and endeavors to make contingency plans as needed. These efforts are designed to minimize the impact to the Company should these providers fail to remediate their year 2000 issues. The Company can give no assurances that such providers or such contingency plans will be successful in resolving all year 2000 issues, and the failure of such providers to comply on a timely basis could have an adverse effect on the Company.

The total cost of the year 2000 project is not expected to exceed $100,000. The costs of the year 2000 project are based on management's best estimates, which are derived utilizing numerous assumptions. However, there can be no guarantee that these estimates will be achieved and actual results could differ materially from the estimates. Specific factors that might cause material differences include, but are not limited to, the availability and cost of trained personnel, the ability to locate and correct all relevant computer codes, and similar uncertainties.

A significant part of the Company's business is derived from its activities in Latin America and Asia. The Company's business could be adversely impacted in the event business activities in Latin America and Asia are disrupted due to year 2000 issues, with the extent of such impact dependent upon the extent of such disruption, which may vary from country to country. The Company's business could also be adversely impacted by supply chain disruption due to vendor and supplier business interruption.

The Company has established a business continuity plan, which addresses the potential unavailability of its hardware and software systems, facilities and services (e.g. telephone, electricity, data communications) through a combination of geographically diverse contracted facilities and equipment, alternative procedures for processing transactions, system back-up and recovery procedures, and redundant infrastructure (e.g. generators, alternative voice and data communications methods). The business continuity plan was successfully tested in March 1999.

Quantitative and Qualitative Disclosures About Market Risk.

The Company, through its joint ventures, conducts international operations primarily in Latin America, and as such is subject to both economic and political instabilities that cause volatility in foreign currency exchange. During fiscal 1999, the Company opened warehouses in three foreign countries through joint venture arrangements. For fiscal 1999, 28% of the Company’s net warehouse sales were in foreign currencies. This amount is expected to increase significantly in fiscal 2000, to nearly 70%. The Company's future expansion plans anticipate entry into additional foreign countries, which may involve similar economic and political risks as well as challenges that are different from those currently encountered by the Company. The Company believes that because its present operations and expansion plans involve numerous countries and currencies, its exposure from any one currency devaluation would not significantly affect operating results. Nonetheless, there can be no assurance that the Company will not experience a materially adverse effect on the Company’s financial condition as a result of the economic and political risks of conducting an international merchandising business.

Translation adjustments from the Company’s non-U.S. denominated joint venture arrangements in Latin America totaled $245,000 for fiscal 1999.

Revenue generated in Asia through export sales to licensees declined significantly as a result of economic instability in this region during fiscal 1999. Further declines in export sales to Asia are not expected due to the opening of two new licensee warehouses in China during fiscal 1999.

Foreign currencies in most of the Latin American and Caribbean countries have historically devalued against the U.S. dollar and are expected to continue to devalue. Managing foreign exchange is critical for operating successfully in these markets and the Company manages its risks through a combination of hedging currencies through Non Deliverable Forward Exchange Contracts (NDF) and internal hedging procedures. As of August 31, 1999, the Company had $4.5 million in NDF’s expiring at different dates through November 19, 1999. The cost associated with these contracts through August 31, 1999 was not material. The Company will continue to purchase NDF’s where necessary to mitigate foreign exchange losses, but due to the volatility and lack of derivative financial instruments in the countries the Company operates, significant risk from unexpected devaluation of local currencies exist. Foreign exchange transaction losses realized during fiscal 1999 (including the cost of the NDF’s) was approximately $538,000. The Company had no foreign exchange transactions prior to fiscal 1999.

Financial Statements

PriceSmart, Inc.
Index to Financial Statements

Report of Ernst & Young LLP, Independent Auditors

The Board of Directors and Stockholders
PriceSmart, Inc.

We have audited the accompanying consolidated balance sheets of PriceSmart, Inc. as of August 31, 1999 and 1998 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended August 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of PriceSmart, Inc. at August 31, 1999 and 1998 and the consolidated results of its operations and its cash flows for each of the three years in the period ended August 31, 1999 in conformity with generally accepted accounting principles.

Ernst & Young LLP

San Diego, California
November 3, 1999

PriceSmart Membership Shopping

PriceSmart, Inc.

Consolidated Balance Sheets

(Amounts in Thousands, Except Share Data)

	August 31, 1999	August 31, 1998
Assets		
Current assets		
Cash and cash equivalents	$ 14,957	$ 5,639
Marketable securities	17,627	56,133
Receivables, net of allowance for doubtful accounts of $444 and $414 in 1999 and 1998, respectively	4,149	6,503
City notes receivable, current portion	2,500	2,500
Merchandise inventories	25,919	9,160
Prepaid expenses and other current assets	2,681	965
Properties held for sale, net	2,126	4,886
Total current assets	69,959	85,786
Property and equipment:		
Land	8,709	2,250
Building and improvements	27,537	6,905
Fixtures and equipment	16,724	6,659
	52,970	15,814
Less accumulated depreciation	(4,463)	(2,841)
Property and equipment, net	48,507	12,973
Other assets:		
Restricted cash	10,195	3,004
Deposits on land purchases	2,112	-
City notes receivable, less current portion	17,006	19,001
Note receivable and other	4,295	3,812
Total Assets	$ 152,074	$ 124,576
Liabilities and Stockholders' Equity		
Current liabilities:		
Bank borrowings	$ 707	$ 3,782
Accounts payable	24,679	6,405
Accrued salaries and benefits	1,760	1,779
Deferred membership income	1,998	-
Other accrued expenses	3,369	3,901
Total current liabilities	32,513	15,867
Long-term debt	7,787	-
Total Liabilities	40,300	15,867
Minority interest	17,913	5,628
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.0001 par value, 2,000,000 shares authorized, none issued	-	-
Common stock, $.0001 par value, 15,000,000 shares authorized, 5,991,256 and 6,003,603 shares issued in 1999 and 1998, respectively	1	1
Additional paid-in capital	111,483	108,873
Notes receivable from stockholders	(950)	(697)
Deferred compensation	(1,282)	-
Accumulated other comprehensive income (loss)	(453)	519
Retained earnings (deficit)	(864)	3,028
Less: Treasury stock at cost 907,898 and 550,000 shares in 1999 and 1998, respectively	(14,074)	(8,643)
Total stockholders' equity	93,861	103,081
Total Liabilities and Stockholders' Equity	$ 152,074	$ 124,576

See accompanying notes.

PRICESMART™ Membership Shopping

PriceSmart, Inc.
Consolidated Statements of Operations
(Amounts in Thousands, Except Per Share Data)

	Years Ended August 31,		
	1999	1998	1997
Revenues:			
Sales:			
Net warehouse	$ 89,184	$ 48,287	$ 21,750
Export	6,773	32,813	36,335
Other	-	-	957
Membership, royalties and fees	2,008	2,720	3,139
Auto, travel and other programs	10,907	13,368	12,194
Total revenues	108,872	97,188	74,375
Expenses:			
Cost of goods sold:			
Net warehouse	78,081	42,616	19,386
Export	6,557	32,068	34,768
Other	-	-	1,793
Selling, general and administrative	32,021	26,421	25,993
Preopening expenses	4,949	433	614
Total expenses	121,608	101,538	82,554
Operating loss	(12,736)	(4,350)	(8,179)
Other:			
Interest income, net	5,114	6,152	2,776
Other income (expenses)	3,007	1,532	(1,480)
Minority interest	913	(192)	(59)
Total other	9,034	7,492	1,237
Income (loss) before provision for income taxes	(3,702)	3,142	(6,942)
Provision for income taxes	190	114	17,901
Net income (loss)	$ (3,892)	$ 3,028	$ (24,843)
Earnings (loss) per share:			
Basic	$ (0.76)	$ 0.51	$ (4.20)
Diluted	$ (0.76)	$ 0.50	$ (4.20)
Shares used in per share computation:			
Basic	5,120	5,912	5,908
Diluted	5,120	6,062	5,908

See accompanying notes.

PRICESMART™
Membership Shopping

PriceSmart, Inc.

Consolidated Statements of Stockholders' Equity

For the Three Years Ended August 31, 1999
(Amounts in Thousands)

	Common stock Shares	Common stock Amount	Additional paid-in capital	Notes receivable from stockholders	Deferred compensation	Other comprehensive income (loss)	Retained earnings (deficit)	Less: Treasury stock at cost Shares	Less: Treasury stock at cost Amount	Total stockholders' equity
Investment by PEI at August 31, 1996	5,908	$ 1	$ 86,989	$ -	$ -	$ -	$ -	-	$ -	$ 86,990
Net Loss	-	-	(24,843)	-	-	-	-	-	-	(24,843)
Net return to PEI	-	-	45,025	-	-	-	-	-	-	45,025
Balance at August 31, 1997	5,908	1	107,171	-	-	-	-	-	-	107,172
Issuance of common stock for cash and notes receivable	71	-	1,093	(697)	-	-	-	-	-	396
Exercise of stock options	25	-	214	-	-	-	-	-	-	214
Purchase of treasury stock	-	-	-	-	-	-	-	550	(8,643)	(8,643)
Stock based compensation	-	-	395	-	-	-	-	-	-	395
Net Income	-	-	-	-	-	-	3,028	-	-	3,028
Unrealized gain on marketable securities	-	-	-	-	-	519	-	-	-	519
Comprehensive income	-	-	-	-	-	-	-	-	-	3,547
Balance at August 31, 1998	6,004	1	108,873	(697)	-	519	3,028	550	(8,643)	103,081
Issuance of common stock for cash and notes receivable	16	-	424	(387)	-	-	-	-	-	37
Exercise of stock options	51	-	585	-	-	-	-	-	-	585
Purchase of treasury stock	-	-	-	-	-	-	-	434	(6,605)	(6,605)
Cancellation of notes receivable from stockholders	(4)	-	(65)	126	-	-	-	-	-	61
Payment on notes receivable from stockholder	-	-	-	8	-	-	-	-	-	8
Deferred compensation related to grant of stock options	-	-	2,355	-	(2,355)	-	-	-	-	-
Amortization of deferred compensation	-	-	-	-	1,073	-	-	-	-	1,073
Compensation expense related to the issuance of common stock	-	-	485	-	-	-	-	-	-	485
Retirement of common stock held in treasury	(76)	-	(1,174)	-	-	-	-	(76)	1,174	-
Net loss	-	-	-	-	-	-	(3,892)	-	-	(3,892)
Unrealized loss on marketable securities	-	-	-	-	-	(727)	-	-	-	(727)
Translation adjustments	-	-	-	-	-	(245)	-	-	-	(245)
Comprehensive loss	-	-	-	-	-	-	-	-	-	(4,864)
Balance at August 31, 1999	5,991	$ 1	$ 111,483	$ (950)	$ (1,282)	$ (453)	$ (864)	908	$ (14,074)	$ 93,861

See accompanying notes.

PriceSmart, Inc.

Consolidated Statements of Cash Flows

(Amounts in Thousands)

	Years Ended August 31, 1999	1998	1997
Operating Activities			
Net income (loss)	$ (3,892)	$ 3,028	$ (24,843)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation	1,622	1,409	1,374
Provision for asset impairments	-	-	2,000
Allowance for doubtful accounts	30	(586)	1,000
Net loss on disposition of property and equipment	-	111	-
Income tax charge	190	114	17,901
Minority interest	(1,096)	192	59
Compensation expense recognized for stock options	1,558	395	-
Change in operating assets and liabilities			
Restricted cash	(7,191)	(3,004)	-
Accounts receivable and other assets	(18,778)	(5,140)	(180)
Accounts payable and other liabilities	19,721	(1,104)	5,241
Other	(137)	(44)	-
Net cash flows provided by (used in) operating activities	(7,973)	(4,629)	2,552
Investing Activities			
Purchases of marketable securities	(44,638)	(86,378)	-
Sales of marketable securities	82,417	30,801	-
Additions to property and equipment	(37,156)	(5,094)	(8,034)
Payments of notes receivable	2,027	1,780	8,614
Net cash flows provided by (used in) investing activities	2,650	(58,891)	580
Financing Activities			
Proceeds from sale of properties	2,760	15,027	6,594
Proceeds from bank borrowings, net	4,712	3,782	-
Contributions by minority interest shareholders	14,547	-	3,632
Distributions to minority shareholders	(1,029)	-	-
Proceeds from exercise of stock options	585	214	-
Issuance of common stock	37	396	-
Payment on notes receivable from stockholders	8	-	-
Purchases of treasury stock	(6,605)	(8,643)	-
Other	(129)	-	-
Net investment by PEI	-	-	45,025
Net cash flows provided by financing activities	14,886	10,776	55,251
Effect of exchange rate changes on cash and cash equivalents	(245)	-	-
Net increase (decrease) in cash and cash equivalents	9,318	(52,744)	58,383
Cash and cash equivalents at beginning of year	5,639	58,383	-
Cash and cash equivalents at end of year	$ 14,957	$ 5,639	$ 58,383
Supplemental disclosure of cash flow information			
Cash paid during the period for:			
Interest	$ 143	$ -	$ -
Income taxes	$ 129	$ 21	$ 2

See accompanying notes.

PriceSmart, Inc.

Notes to Consolidated Financial Statements

Note 1 – Organization and Basis of Presentation

Formation of the Company

PriceSmart, Inc. ("PriceSmart" or the "Company") owns and operates merchandising businesses. The Company's primary business is international merchandising consisting of membership shopping stores similar to, but smaller in size than, warehouse clubs in the United States. As of August 31, 1999, there were five warehouse stores in operation (two in Panama, and one each in Guatemala, Costa Rica and El Salvador) of which the Company owns a majority interest. Also, there were five warehouse stores in operation (four in China and one in Saipan) licensed to and operated by local business people. Additionally, the Company operates a domestic travel business, and until April 1, 1999 operated a domestic auto referral business, marketed primarily to Costco members.

In June 1997, the Price Enterprises, Inc. ("PEI") Board of Directors approved, in principle, a plan to separate PEI's core real estate business from the merchandising businesses it operated through a number of subsidiaries. To effect such separation, PEI first transferred to the Company, through a series of preliminary transactions, the assets listed below. PEI then distributed on August 29, 1997 all of the Company's common stock pro rata to PEI's existing stockholders through a special dividend (the "Distribution").

Assets transferred to PriceSmart were comprised of: (i) the merchandising business segment of PEI; (ii) certain real estate properties held for sale (the "Properties"); (iii) notes receivable from buyers of properties; (iv) cash and cash equivalents of approximately $58.4 million; and (v) all other assets and liabilities not specifically associated with PEI's portfolio of investment properties, except for current corporate income tax assets and liabilities.

Basis of Presentation

The consolidated financial statements include the assets, liabilities and results of operations of the Company and its majority owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

	Ownership	Basis of Presentation
Ventures Services, Inc.	100%	Consolidated
PB Real Estate, S.A.	51%	Consolidated
Price Costco de Panama, S.A.	51%	Consolidated
PriceSmart (Guatemala), S.A.	66%	Consolidated
PSMT Caribe, Inc.	60%	Consolidated
PSMT Trinidad/Tobago LTD	60%	Consolidated

The consolidated financial statements prior to fiscal 1998 present the Company as if it were a separate entity from PEI. PEI's historical basis in the assets and liabilities of the Company have been carried over. Changes in additional paid-in capital represent the net income (loss) of the Company and PEI prior to distribution. Certain amounts in the prior period consolidated financial statements have been reclassified to conform to the current period presentation.

Note 2 – Significant Accounting Policies

Fiscal Year

Effective September 1, 1997, the Company changed its reporting periods to 12 months ending August 31, with each quarter consisting of three months. Prior to the change, the Company generally reported 13 periods (ending on the Sunday closest to August 31) of four weeks each, with the first quarter consisting of 16 weeks, and each remaining quarter consisting of 12 weeks.

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash represents time deposits that are pledged as collateral for majority-owned subsidiary loans and amounts deposited in escrow for future asset acquisitions.

PriceSmart, Inc.
Notes to Consolidated Financial Statements (cont.)

Marketable Securities

In accordance with Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Debt and Equity Securities", marketable securities are classified as available-for-sale. Available-for-sale securities are carried at fair value, with unrealized gains and losses reported in a separate component of the stockholders' equity. The amortized cost of securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income. Realized gains and losses in value judged to be other-than-temporary, if any, on available-for-sale securities are included in interest income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest income. The Company now invests its excess cash primarily in corporate bonds and investment grade debt securities of U.S. government agencies. Management has established guidelines relative to diversification and maturities that are intended to maintain safety and liquidity.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, as follows:

Building and improvements	10-25 years
Fixtures and equipment	3-7 years

Merchandise Inventories

Merchandise inventories, which include merchandise for resale, are valued at the lower of cost (average cost) or market.

Revenue Recognition

The Company recognizes sales revenue when title passes to the customer. Revenues from the auto referral program were recognized on a monthly basis when billed, pursuant to contracts that are generally month-to-month. Revenues from travel programs are recognized as services are performed. Membership fee income represents annual membership fees paid by the Company's warehouse members.

Income Taxes

Income taxes have been provided for in accordance with SFAS No. 109, "Accounting for Income Taxes." This standard requires companies to account for deferred taxes using the asset and liability method. Accordingly, deferred income taxes are provided to reflect temporary differences between financial and tax reporting. In fiscal year 1997, the Company was included in the consolidated Federal and in various combined state tax returns of PEI. The Company was allocated the benefit of its tax net operating losses used in PEI's consolidated or combined tax returns. Benefits realized by PEI were not paid to the Company but were deemed to be reductions in PEI's investment in the Company.

Asset Impairment

SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. No such indicators of impairment were present in the fiscal years presented. SFAS No. 121 also addresses the accounting for long-lived assets that are expected to be disposed of. The Company estimates the sales value, net of related selling costs, on its real estate properties which are being held for sale. Impairment losses of $2.0 million were recorded in fiscal 1997. No impairment losses were recorded in fiscal 1999 and 1998. See Note 4.

PriceSmart, Inc.
Notes to Consolidated Financial Statements (cont.)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Concentration of Credit Risk

The Company's export sales are to licensees in Asia and are secured by letters of credit.

Stock-Based Compensation

SFAS No. 123, "Accounting for Stock-Based Compensation", establishes the use of fair value based method for stock-based compensation arrangements, under which compensation is determined using the fair value of stock-based compensation determined as of the grant date, and is recognized over the periods in which the related services are rendered. SFAS No. 123 also permits companies to elect to continue using the current intrinsic value accounting method specified in Accounting Principles Board Opinion (APB) No. 25 to account for stock-based compensation. The Company has decided to retain the current intrinsic value based method, and has disclosed the pro forma effect of using the fair value based method for its stock-based compensation.

Earnings (Loss) Per Share

Basic earnings (loss) per share is computed based on the weighted average shares outstanding in the period. Diluted earnings (loss) per share is computed based on the weighted average shares outstanding in the period and the effect of dilutive securities (options) except where their inclusion is antidilutive.

Computation of Net Income (Loss) Per Common Share (Basic and Diluted)
(Amounts in Thousands, Except Share Data)

	Years Ended August 31,		
	1999	1998	1997
Net income (loss) used for basic and diluted computation	$ (3,892)	$ 3,028	$ (24,843)
Weighted average number of common shares outstanding	5,119,911	5,912,375	5,908,235
Add:			
Assumed exercise of those options that are common stock equivalents	-	150,085	-
Adjusted shares outstanding used for diluted computation	5,119,911	6,062,460	5,908,235
Earnings (loss) per share:			
Basic	$ (0.76)	$ 0.51	$ (4.20)
Diluted	$ (0.76)	$ 0.50	$ (4.20)

PriceSmart, Inc.
Notes to Consolidated Financial Statements (cont.)

Pre-Opening Costs
The Company adopted Statement of Position ("SOP") 98-5, "Reporting on the Costs of Start-up Activities" in the first quarter of fiscal 1999. SOP 98-5 requires pre-opening costs to be charged to expense as incurred. Prior to fiscal 1999, the Company capitalized pre-opening costs related to warehouse openings and amortized these costs over twelve months. The adoption of SOP 98-5 did not have a material impact on the Company's consolidated financial statements. For fiscal years 1999, 1998, and 1997, pre-opening costs totaled $5.0 million, $433,000 and $614,000, respectively.

Foreign Currency Translation
In accordance with SFAS No. 52 "Foreign Currency Translation", the assets and liabilities of the Company's foreign operations are translated to U.S. dollars using the exchange rates at balance sheet date and revenues and expenses are translated at average rates prevailing during the period. Fiscal 1999 translations resulted in a translation adjustment loss of approximately $245,000.

Comprehensive Income (Loss)
During the first quarter of fiscal 1999, the Company adopted SFAS No. 130, "Reporting Comprehensive Income" which requires the disclosure of all components of comprehensive income, including net income and other comprehensive income. Comprehensive income is defined as the change in equity during a period from transactions and other events and circumstances generated from non-owner sources.

Segment Reporting
The Financial Accounting Standards Board issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information" which the Company adopted in fiscal 1999. SFAS No. 131 amends the requirements to report financial and descriptive information about its reportable operating segments. The financial information is required to be reported on the basis that is used internally for evaluating the segment performance and deciding how to allocate resources to segments. The Company principally operates under one segment in two geographic regions.

Note 3 – Marketable Securities
The following is a summary of marketable securities classified as available-for-sale as of August 31, 1999 and 1998 (in thousands).

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Values
1999				
Asset backed bonds	$ 3,570	$ -	$ (44)	$ 3,526
Commercial company bonds	14,265	-	(164)	14,101
Total	$ 17,835	$ -	$ (208)	$ 17,627
1998				
U.S. Government securities	$ 55,614	$ 519	$ -	$ 56,133

The fair value of the marketable securities is based on quoted market prices for the same or similar type issues. For fiscal 1999, gross realized gains were $2.4 million and gross realized losses were $1.5 million, netting to a realized gain of $959,000. Gross realized gains and losses for fiscal 1998 were not material.

As of August 31, 1999, the average maturity of outstanding marketable securities was 21 months and $13.2 million had maturities that exceeded twelve months.

PriceSmart, Inc.
Notes to Consolidated Financial Statements (cont.)

Note 4 – Property Held for Sale

Property held for sale primarily includes improved and unimproved land, which the Company expects to dispose of in the next twelve months. Property held for sale totaled $2.1 million and $4.9 million as of August 31, 1999 and 1998, respectively.

As the properties are held for sale, the net results of the real estate operations are included in other income (expense) on the consolidated statements of operations, and totaled $1.3 million, $1.5 million and a loss of $1.5 million during fiscal 1999, 1998, and 1997, respectively.

During fiscal 1997, the Company incurred a $2.0 million provision for an asset impairment to write-down the carrying value of real estate properties held for sale.

Note 5 – City Notes Receivable

The City Notes, with interest rates ranging from 8% to 10%, represent amounts loaned to U.S. municipalities and agencies to facilitate real property acquisition and improvements. Repayment of the majority of these notes is generally based on that municipality's allocation of sales tax revenues generated by retail businesses located on the particular property associated with such City Note. City Note repayments are calculated in accordance with specific revenue sharing agreements, and, under the term of most City Notes, the unpaid balance of the note is forgiven on its maturity date. The carrying values of these notes were established when PEI was spun out from Costco. The carrying values are evaluated by the Company in accordance with SFAS No. 114, "Accounting by Creditors for Impairment of a Loan." Interest income is recognized based upon the stated interest rates and amounted to $1.7 million, $1.9 million and $2.1 million for the years ended August 31, 1999, 1998 and 1997, respectively. At August 31, 1999 and 1998, the aggregate stated principal value plus compounded interest amounted to $74 million and $71 million, respectively. As a result, the total carrying value of the City Notes at August 31, 1999 and 1998 is less than the stated principal and interest by $54 million and $50 million, respectively. As of August 31, 1999, eleven City Notes were outstanding with maturity dates ranging from 2003 to 2028.

Note 6 – Retirement Plan

PriceSmart offers a defined contribution retirement and 401(k) plans to employees. Employees become eligible for these plans after one year of employment. Enrollment in these plans begins on the first of the month following the employee's one-year anniversary date. Retirement contributions, if any, are based on a discretionary amount determined by the Board of Directors and are allocated to each participant based on the relative compensation of the participant, subject to certain limitations. The Company makes a matching 401(k) contribution equal to 50% of the participant's contribution up to an annual maximum matching contribution of $250. Profit sharing contributions were approximately $361,000, $363,000, and $406,000 for fiscal 1999, 1998, and 1997, respectively. Employer contributions to the 401(k) plan were approximately $27,000, $26,000, and $24,000 during fiscal 1999, 1998, and 1997, respectively.

Note 7 – Stock Option Plan and Equity Participation Plan

On August 6, 1997, the Company adopted the 1997 Stock Option Plan of PriceSmart, Inc. (the "1997 Plan") for the benefit of its eligible employees, consultants and independent directors. Under the 1997 Plan, 700,000 shares of the Company's common stock are authorized for issuance. The Compensation Committee of the Board of Directors administers the 1997 Plan with respect to grants to employees or consultants of the Company, and the full Company Board of Directors administers the Plan with respect to director options. Options issued under the 1997 Plan typically vest over five years and expire in six years. Certain employees and directors of the Company participated in the PEI stock option plan. Upon consummation of the Distribution, the unvested PEI options held by these individuals were canceled. To replace those canceled options, the Company granted options to purchase PriceSmart common stock at share amounts and prices per share so that the employees and directors were in substantially the same economic position as they were prior to the Distribution.

In January 1999, the Company adopted the 1998 Equity Participation Plan (the "Equity Plan") for the benefit of its eligible employees, consultants and independent directors. The Equity Plan authorizes 700,000 shares of the Company's common stock for issuance. Options issued under the Equity Plan typically vest over five years and expire in six years. The Equity Plan also allows the Company to make loans to participants for the purchase of shares. As of August 31, 1999, outstanding loans were approximately $950,000. The loans are with full recourse and interest is payable semi-monthly at 5.85% with the principal due in six years.

PriceSmart, Inc.
Notes to Consolidated Financial Statements (cont.)

Total stock option activity relating to the 1997 Plan and Equity Plan was as follows:

	Shares	Weighted Average Exercise Price
Balance at August 31, 1997	-	$ -
Granted	734,500	13.39
Exercised	(24,801)	8.63
Cancelled	(75,963)	10.40
Balance at August 31, 1998	633,736	13.94
Granted	729,185	19.45
Exercised	(51,253)	11.43
Cancelled	(116,867)	15.17
Balance at August 31, 1999	1,194,801	$ 17.29

As of August 31, 1999 and 1998, options to purchase 256,367 and 41,662 shares, respectively were exercisable. As of August 31, 1999, there were 1,241,555 shares of common stock reserved for future issuance. The following table summarizes information about stock options outstanding at August 31, 1999:

Range of Exercise Prices	Outstanding as of 8/31/99	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Exercisable as of 8/31/99	Weighted-Average Exercise Price
$ 7.79 – $11.68	204,139	2.1	$ 8.80	111,106	$ 8.81
11.68 – 15.58	407,977	4.9	15.43	78,036	15.41
15.58 – 19.47	444,185	4.6	17.36	67,225	17.48
19.47 – 23.36	25,000	5.5	20.00	-	-
35.04 – 38.94	113,500	5.9	37.82	-	-
$ 7.79 – $38.94	1,194,801	4.4	$17.29	256,367	$13.09

The weighted-average fair value of the stock options granted during 1999, 1998, and 1997 were $13.16, $5.04, and $3.48, respectively.

The Company has recorded deferred compensation of $2.4 million in connection with the grants of certain stock options to employees during fiscal 1999. A total of 552,291 options were issued at a price lower than market on date of grant. On date of grant the market price was $20.25 while 81,250 options were issued with an exercise price of $16.25, 446,041 options were issued with an exercise price of $15.50 and 25,000 options were issued with an exercise price of $14.75. The deferred compensation will be amortized ratably over the vesting period of the respective options.

Pro forma information regarding net income is required by SFAS No. 123, and has been determined as if the Company had accounted for its employee stock options under the fair value method prescribed by SFAS No. 123. The fair value of each option grant is estimated on the date of grant using the "Black-Scholes" option pricing model with the following weighted average assumptions used for grants in fiscal 1999, 1998, and 1997:

	1999	1998	1997
Risk free interest rate	6%	6%	6%
Expected life	6 years	3 years	3 years
Expected volatility	42.7%	31.5%	26.5%
Expected dividend yield	0%	0%	0%

For the purpose of pro forma disclosures, the estimated fair value of the options granted is amortized to expense over the options' vesting period. The Company's pro forma information for the years ended August 31, 1999, 1998, and 1997 were as follows:

PriceSmart, Inc.
Notes to Consolidated Financial Statements (cont.)

	1999	1998	1997
Pro forma net income (loss) (in thousands)	$ (5,072)	$ 2,558	$ (25,002)
Pro forma earnings (loss) per share diluted	$ (0.99)	$ 0.42	$ (4.23)

The pro forma effect on net loss for 1999 and 1997 and on net income for 1998 is not likely to be representative of the pro forma effect on reported earnings in future years.

Note 8 – Income Taxes
Significant components of the income tax provision are as follows (in thousands):

	Years Ended August 31,		
	1999	1998	1997
Current:			
Federal	$ -	$ -	$ (3,612)
State	-	-	-
Foreign	190	114	-
	190	114	(3,612)
Deferred:			
Federal	-	-	20,945
State	-	-	568
Foreign	-	-	-
	-	-	21,513
Total Provision	$ 190	$ 114	$ 17,901

The reconciliation of income tax computed at the Federal statutory tax rate to the provision for income taxes is as follows (in thousands):

	1999	1998	1997
Federal taxes at statutory rates	$ (1,259)	$ 1,068	$ (2,430)
State taxes, net of Federal benefit	(222)	188	(416)
Tax losses (income) of majority owned subsidiaries	650	(130)	-
Increase (decrease) in valuation allowance for deferred tax assets	918	(1,027)	20,683
All other, net	103	15	64
Total provision	$ 190	$ 114	$ 17,901

Significant components of the Company's tax assets as of August 31, 1999, and 1998 are shown below. A valuation allowance of $24.9 million at August 31, 1999, has been recognized to offset the deferred tax assets as realization of such assets is uncertain (in thousands).

PriceSmart, Inc.
Notes to Consolidated Financial Statements (cont.)

	August 31, 1999	August 31, 1998
Deferred tax assets:		
City notes receivable	$ 11,710	$ 11,615
Net operating losses	11,198	10,567
International revenues and expenses	112	127
Real estate properties	-	18
Deferred compensation	427	-
All other, net	1,678	1,677
Total deferred tax assets	25,125	24,004
Deferred tax liabilities:		
Unrealized gains on marketable securities	(207)	(207)
Total deferred tax liabilities	(207)	(207)
Valuation allowance	(24,918)	(23,797)
Net deferred tax assets	$ -	$ -

As of August 31, 1999, the Company has Federal and State net operating loss carryforwards of approximately $29.4 million and $11.1 million, respectively. The Federal and State tax loss carryforwards will begin expiring in 2010 and 2001, respectively, unless previously utilized.

Pursuant to Section 382 of the Internal Revenue Code, annual use of the Company's net operating loss carryforwards will be limited because of cumulative changes in ownership of more than 50% which occurred during 1995. However, the Company does not believe such change will have a material impact upon utilization of these carryforwards.

Note 9 – Bank Loans

In December 1998, the Company's Guatemalan subsidiary entered into a three-year bank term loan with a principal amount of approximately $4.0 million. The loan requires quarterly payments of interest at 14%. The loan matures on December 10, 2001, at which time the principal amount is due. The loan is secured by aggregate collateral deposits of approximately $4.0 million contributed by the Company and the minority interest shareholder.

In May 1999, a wholly-owned subsidiary of PSMT Caribe, Inc., entered into a three-year bank term loan with a principal amount of approximately $3.8 million. The loan requires quarterly payments of interest at three-month LIBOR plus .25% (5.3938% as of August 31, 1999) through September 15, 1999, then 14% thereafter. The loan matures on May 31, 2002, at which time the principal amount is due. The loan is secured by a collateral deposit of approximately $3.8 million contributed by PSMT Caribe, Inc.

In February 1999, a wholly owned subsidiary of PSMT Caribe, Inc. entered into a short-term bank loan with a principal amount of $707,000 and an annual interest rate of 13%. The loan was repaid in October 1999.

During fiscal 1998, the Company's Panama subsidiary entered into a seven-year bank term loan with a principal amount of $4.2 million. The loan required minimum monthly payments including principal and interest of $50,000. Interest was payable at LIBOR plus 1.75%. The loan was secured by land and a building of the Panama subsidiary. The loan was repaid in full during fiscal 1999.

Note 10 – Commitments

The Company has entered into non-cancelable operating leases for retail and administrative office facilities. These leases expire or become subject to renewal between 2001 and 2019. Rental expense charged to operations under operating leases totaled approximately $1.4 million and $580,000 for fiscal years 1999 and 1998, respectively. Future minimum lease commitments for facilities under these leases are payable as follows (in thousands):

Fiscal Year	Amount
2000	$ 2,025
2001	2,196
2002	1,935
2003	2,032
2004	2,085
Thereafter	32,698
Total	$ 42,971

Note 11 – Sale of Auto Referral Program

In August 1998, the Company entered into an agreement to sell its auto referral business effective November 1, 1999. On March 29, 1999, the Company entered into an amendment to the purchase agreement to change the closing date of the sale to April 1, 1999. The Company operated the auto referral business through March 31, 1999. The sale resulted in a net gain of $798,000 which is reported in other income in the consolidated statements of operations for the year ended August 31, 1999.

Note 12 – Related Party Transactions

As a result of the Distribution to stockholders of the Company and for the purpose of governing certain of the ongoing relationships between the Company and PEI after the Distribution, and to provide mechanisms for an orderly transition, the Company and PEI entered into various agreements. As a result of these agreements, the Company paid $1.1 million to PEI during fiscal 1999 and $1.2 million and $1.6 million during fiscal 1998 and 1997, respectively.

In fiscal 1998, the Company sold a 15-acre property to PEI for $4.0 million resulting in a realized gain of $293,000. In fiscal 1999, the Company sold to PEI a 2.5 acre parcel of real estate for $320,000, resulting in a realized gain of $68,000. The sale prices were based on independent appraisals.

In August 1998, the Company repurchased 200,000 shares of common stock from the Sol and Helen Price Trust, of which Sol Price is the trustee, at a price of $15.00 per share.

Note 13 – Geographic Areas and Major Customers (in thousands)

	Years Ended August 31,		
	1999	1998	1997
Revenues:			
United States	$ 18,933	$ 47,709	$ 51,806
Latin America	89,939	49,479	22,569
	$ 108,872	$ 97,188	$ 74,375
Operating income (loss):			
United States	$ (9,684)	$ (4,741)	$ (8,299)
Latin America	(3,052)	391	120
	$ (12,736)	$ (4,350)	$ (8,179)
Identifiable Assets:			
United States	$ 52,787	$ 103,778	
Latin America	99,287	20,798	
	$ 152,074	$ 124,576	

The Latin American operations for fiscal 1999 consist of the five warehouse stores, of which the Company owns a majority interest in each, as disclosed in Note 1. In fiscal 1998 and 1997, Latin American operations consisted solely of a 51% interest in a joint venture in Panama.

PriceSmart, Inc.
Notes to Consolidated Financial Statements (cont.)

Export sales to Asian licensees were approximately $6.8 million, $32.8 million, and $36.3 million for fiscal 1999, 1998, and 1997, respectively. Revenues attributable to a single customer represented approximately 6%, 28%, and 37% of total revenues for fiscal 1999, 1998, and 1997, respectively.

Note 14 – Foreign Currency Instruments

PriceSmart transacts business in various foreign currencies, primarily Latin American currencies. The Company has established revenue and balance sheet hedging programs to protect against reductions in value and volatility of future cash flows caused by changes in foreign exchange rates. The Company had currency forward contracts with notional amounts totaling $4.5 million in these hedging programs as of August 31, 1999.

These instruments are not recorded on the balance sheet. However, if the instruments were recorded based on their fair values, the effect on net income (loss) for fiscal 1999 would have been immaterial.

PriceSmart, Inc.
Market For Common Stock And Related Stockholder Matters

The Company's common stock has been quoted and traded on the NASDAQ National market under the symbol "PSMT" since September 2, 1997. As of November 16, 1999, there were approximately 517 holders of record of the common stock.

	Dates		Stock Price	
	From	To	High	Low
1998 Calendar Quarters				
First Quarter	9/2/97	11/30/97	$18.875	$15.250
Second Quarter	12/1/97	2/28/98	17.875	16.125
Third Quarter	3/1/98	5/31/98	16.625	15.250
Fourth Quarter	6/1/98	8/31/98	17.563	14.000
1999 Calendar Quarters				
First Quarter	9/1/98	11/30/98	17.500	14.125
Second Quarter	12/1/98	2/28/99	23.000	15.625
Third Quarter	3/1/99	5/31/99	28.625	18.000
Fourth Quarter	6/1/99	8/31/99	46.125	24.500
2000 Calendar Quarters				
First Quarter	9/1/99	11/10/99	42.750	34.500

The Company has never declared a cash dividend on its common stock and does not anticipate doing so in the foreseeable future.

Changes in and Disagreements With Accountants on Accounting and Financial Disclosure
None.

Directors

The directors of the Company and ages as of November 23, 1999 are as follows:

Name	Position with the Company	Age
Robert E. Price	Chairman of the Board	57
Gilbert A. Partida	President, Chief Executive Officer and Director	37
Rafael E. Barcenas	Director	55
Katherine L. Hensley	Director	62
Leon C. Janks	Director	50
Lawrence B. Krause	Director	69
James F. Cahill	Director	44

Robert E. Price has been Chairman of the Board of the Company since July 1994 and served as President and Chief Executive Officer of the Company from July 1994 until January 1998. Mr. Price also served as Chairman of the Board of Price Enterprises, Inc. ("PEI"), from July 1994 until November 1999 and was President and Chief Executive Officer of PEI from July 1994 until September 1997. Mr. Price was Chairman of the Board of Price/Costco, Inc. ("Costco") from October 1993 to December 1994. From 1976 to October 1993, he was Chief Executive Officer and a director of The Price Company ("TPC"). Mr. Price served as Chairman of the Board of TPC from January 1989 to October 1993, and as its President from 1976 until December 1990.

Gilbert A. Partida has been a director of the Company since July 1997 and has been President and Chief Executive Officer of the Company since January 1998. Mr. Partida was President and Chief Executive Officer of the Greater San Diego Chamber of Commerce from January 1993 until December 1997. Prior to joining the Chamber of Commerce, Mr. Partida was an attorney with the law firm of Gray, Cary, Ames & Frye in San Diego, California from 1987 to 1992.

Rafael E. Barcenas has been a director of the Company since April 1998. Mr. Barcenas has also been a director and officer of PriceCostco de Panama, S.A., and P.B. Real Estate, S.A., which are subsidiaries of the Company, since their formation in September 1995 and July 1997, respectively. Additionally, Mr. Barcenas has been a principal of BB&M International Trading Group, a Panamanian company (which is the 49% owner of both PriceCostco de Panama, S.A. and P. B. Real Estate, S.A.) since March 1995. Mr. Barcenas also has been Vice President of Boyd, Barcenas, S.A., the largest advertising agency in Panama, since April 1971.

Katherine L. Hensley has been a director of the Company since July 1997 and served as a director of PEI from December 1994 until July 1997. She is a lawyer and a retired partner of the law firm of O'Melveny & Myers in Los Angeles, California. Ms. Hensley joined O'Melveny & Myers in 1978 and was a partner from 1986 to February 1992. Ms. Hensley is a trustee of Security First Trust, an open-end investment management company registered under the Investment Company Act of 1940.

Leon C. Janks has been a director of the Company since July 1997 and served as a director of PEI from March 1995 until July 1997. He has been a partner in the accounting firm of Alder, Green, Hasson and Janks in Los Angeles, California since 1980. Mr. Janks also serves on the board of directors of Expert Ease Software, Inc., a privately held corporation. Mr. Janks has extensive experience in domestic and international business serving a wide variety of clients in diverse businesses and is a Certified Public Accountant.

Lawrence B. Krause has been a director of the Company since July 1997. Mr. Krause has been a Professor and the Director of the Korea-Pacific Program at the Graduate School of International Relations and Pacific Studies at the University of California, San Diego since 1986. He became a Professor Emeritus in 1997. Mr. Krause also serves on advisory boards for a number of institutions including the Institute for International Economics, the Korea Economic Institute, the Committee on Asian Economic Studies and the U.S. National Committee for Pacific Economic Cooperation.

James F. Cahill has been a director of the Company since November 1999 and has served as a director of PEI since August, 1997. Additionally, Mr. Cahill has been Executive Vice President of Price Entities since January 1987; in this position he has been responsible for the oversight and investment activities of the financial portfolio of Sol Price, founder of TPC and related entities. Prior to 1987 Mr. Cahill was employed by TPC for ten years, with his last position being Vice president of Operations.

Executive Officers of the Company

The executive officers of the Company and their ages as of November 23, 1999 are as follows:

Name	Position with the Company	Age
Gilbert A. Partida	President and Chief Executive Officer	37
Kevin C. Breen	Executive Vice President — Operations	39
Robert M. Gans	Executive Vice President, Secretary and General Counsel	50
Thomas D. Martin	Executive Vice President — Merchandising	43
Kurt A. May	Executive Vice President and Chief Operating Officer	46
Allan C. Youngberg	Executive Vice President and Chief Financial Officer	47

Gilbert A. Partida has been a director of the Company since July 1997 and has been President and Chief Executive Officer of the Company since January 1998. Mr. Partida was President and Chief Executive Officer of the Greater San Diego Chamber of Commerce from January 1993 until December 1997. Prior to joining the Chamber of Commerce, Mr. Partida was an attorney with the law firm of Gray, Cary, Ames & Frye in San Diego, California from 1987 to 1992.

Kevin C. Breen has been Executive Vice President of the Company since September 1999 and served as Senior Vice President of the Company from August 1997 to August 1999. Mr. Breen previously served as Executive Vice President of Price Ventures, Inc., a subsidiary of PEI, from February 1997 until August 1997, overseeing operational and construction management areas for the international merchandising business. Prior to joining PEI as Vice President in August 1994, Mr. Breen served as Vice President of Costco from October 1993 to December 1994 and had served in various management roles for TCP.

Robert M. Gans has been Executive Vice President, General Counsel and Secretary of the Company since August 1997 and was Executive Vice President and General Counsel of PEI from October 1994 until July 1997. Mr. Gans graduated from the UCLA School of Law in 1975 and actively practiced law in private practice from 1975 until 1994. From 1988 until October 1994, Mr. Gans was the senior member of the law firm of Gans, Blackmar & Stevens, A.P.C., of San Diego, California.

Thomas D. Martin has been Executive Vice President of the Company since October 1998 and served as Senior Vice President of the Company from August 1997 to September 1998. Mr. Martin previously had served as Vice President of PEI from August 1994 until July 1997, directing merchandising strategies and product sourcing for its international merchandising business, in addition to managing its trading company activities. Prior to joining PEI as Vice President in August 1994, Mr. Martin served as Vice President of Costco from October 1993 to December 1994 and had served in various management roles for TPC.

Kurt A. May has been Executive Vice President and Chief Operating Officer of the Company since October 1998. Prior to joining PriceSmart, Mr. May was employed by GTE Corporation for twenty-three years, serving in a wide range of functional disciplines including his most recent role as Area President of GTE's cellular telephone operations.

Allan C. Youngberg has been Executive Vice President and Chief Financial Officer of the Company since July 1999. From January 1993 until July 1999, Mr. Youngberg had been Executive Vice President, Chief Financial Officer, Secretary and Treasurer of Cost-U-Less, Inc. Prior to joining Cost-U-Less, Mr. Youngberg was President and shareholder of Youngberg & Schumacher, P.S., a certified public accounting firm in Bellevue, Washington, which Mr. Youngberg founded in 1984 and sold in December 1992. Mr. Youngberg is a Certified Public Accountant.

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