

Lumber Liquidators Holdings, Inc.

Consolidated Balance Sheets
(in thousands, except share data)

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 10,271	\$ 26,703
Merchandise Inventories	301,892	244,402
Prepaid Expenses	5,367	5,931
Refundable Income Taxes	31,429	19,596
Deferred Tax Asset	6,090	21,045
Other Current Assets	5,346	5,111
Total Current Assets	360,395	322,788
Property and Equipment, net	115,004	121,997
Goodwill	9,693	9,693
Other Assets	3,542	1,724
Total Assets	\$ 488,634	\$ 456,202
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts Payable	\$ 120,647	\$ 55,247
Customer Deposits and Store Credits	32,639	33,771
Accrued Compensation	9,193	6,057
Sales and Income Tax Liabilities	4,249	3,914
Other Current Liabilities	19,984	28,755
Total Current Liabilities	186,712	127,744
Other Long-Term Liabilities	21,142	20,252
Deferred Tax Liability	9,888	10,638
Revolving Credit Facility	40,000	20,000
Total Liabilities	257,742	178,634
Stockholders' Equity:		
Common Stock (\$0.001 par value; 35,000,000 shares authorized; 31,102,436 and 29,913,274 shares issued and 28,248,606 and 27,088,460 shares outstanding at December 31, 2016 and 2015, respectively)	31	30
Treasury Stock, at cost (2,853,830 and 2,824,814 shares, respectively) . . .	(139,420)	(138,987)
Additional Capital	202,700	180,590
Retained Earnings	169,037	237,600
Accumulated Other Comprehensive Loss	(1,456)	(1,665)
Total Stockholders' Equity	230,892	277,568
Total Liabilities and Stockholders' Equity	\$ 488,634	\$ 456,202

See accompanying notes to consolidated financial statements

Lumber Liquidators Holdings, Inc.

Consolidated Statements of Operations
(in thousands, except share data and per share amounts)

	Year Ended December 31,		
	2016	2015	2014
Net Sales	\$ 960,588	\$ 978,776	\$ 1,047,419
Cost of Sales	656,719	699,918	629,252
Gross Profit	303,869	278,858	418,167
Selling, General and Administrative Expenses	397,504	362,051	314,094
Operating (Loss) Income	(93,635)	(83,193)	104,073
Other Expense	638	234	490
(Loss) Income Before Income Taxes	(94,273)	(83,427)	103,583
Income Tax (Benefit) Expense	(25,710)	(26,994)	40,212
Net (Loss) Income	\$ (68,563)	\$ (56,433)	\$ 63,371
Net (Loss) Income per Common Share – Basic	\$ (2.51)	\$ (2.08)	\$ 2.32
Net (Loss) Income per Common Share – Diluted	\$ (2.51)	\$ (2.08)	\$ 2.31
Weighted Average Common Shares Outstanding:			
Basic	27,284,434	27,082,299	27,264,882
Diluted	27,284,434	27,082,299	27,485,852

See accompanying notes to consolidated financial statements

Lumber Liquidators Holdings, Inc.

Consolidated Statements of Comprehensive Income (Loss)
(in thousands)

	Year Ended December 31,		
	2016	2015	2014
Net (Loss) Income	<u>\$(68,563)</u>	<u>\$(56,433)</u>	<u>\$63,371</u>
Other Comprehensive (Loss) Income:			
Foreign Currency Translation Adjustments	<u>209</u>	<u>(869)</u>	<u>(234)</u>
Total Other Comprehensive (Loss) Income	<u>209</u>	<u>(869)</u>	<u>(234)</u>
Comprehensive (Loss) Income	<u><u>\$(68,354)</u></u>	<u><u>\$(57,302)</u></u>	<u><u>\$63,137</u></u>

See accompanying notes to consolidated financial statements

Lumber Liquidators Holdings, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2016	2015	2014
Cash Flows from Operating Activities:			
Net (Loss) Income	\$(68,563)	\$(56,433)	\$ 63,371
Adjustments to Reconcile Net (Loss) Income to Net Cash			
Provided by Operating Activities:			
Depreciation and Amortization	17,505	17,392	14,714
Deferred Income Taxes	14,205	(12,064)	(152)
Stock-Based Compensation Expense	5,568	3,941	5,593
Stock-Based Portion of Provision for Securities Class Action	16,760	—	—
Inventory Lower of Cost or Market Adjustments	3,723	26,162	—
Impairment Charges related to Property and Equipment . . .	—	4,392	—
Deconsolidation of Variable Interest Entity	—	1,457	—
Changes in Operating Assets and Liabilities:			
Merchandise Inventories	(62,054)	42,773	(62,140)
Accounts Payable	64,025	(21,450)	21,478
Customer Deposits and Store Credits	(988)	(1,075)	12,623
Prepaid Expenses and Other Current Assets	(11,465)	(18,385)	(1,836)
Other Assets and Liabilities	(6,317)	22,494	3,436
Net Cash (Used in) Provided by Operating Activities . . .	(27,601)	9,204	57,087
Cash Flows from Investing Activities:			
Purchases of Property and Equipment	(8,908)	(22,478)	(71,138)
Other Investing Activities	575	—	—
Net Cash Used in Investing Activities	(8,333)	(22,478)	(71,138)
Cash Flows from Financing Activities:			
Payments for Stock Repurchases	(433)	(295)	(53,310)
Proceeds from the Exercise of Stock Options	539	—	3,150
Excess Tax Benefit from Stock-Based Compensation	54	—	4,004
Payments for Debt Issuance Costs	(933)	—	—
Payments on Capital Lease Obligations	(469)	—	—
Borrowings on Revolving Credit Facility	37,000	39,000	53,000
Payments on Revolving Credit Facility	(17,000)	(19,000)	(53,000)
Net Cash Provided by (Used in) Financing Activities . . .	18,758	19,705	(46,156)
Effect of Exchange Rates on Cash and Cash Equivalents	744	(15)	(140)
Net (Decrease) Increase in Cash and Cash Equivalents	(16,432)	6,416	(60,347)
Cash and Cash Equivalents, Beginning of Year	26,703	20,287	80,634
Cash and Cash Equivalents, End of Year	<u>\$ 10,271</u>	<u>\$ 26,703</u>	<u>\$ 20,287</u>
Supplemental disclosure of non-cash investing and financing activities:			
Borrowing on capital lease obligation to acquire equipment . . .	\$ 351	\$ —	\$ —

See accompanying notes to consolidated financial statements