Dollar General Reports Financial Results for Fiscal 2000 And Restated Results for 1999 and 1998

Company Also Reaches Settlement Agreements in Restatement Litigation

GOODLETTSVILLE, Tenn., Jan. 14 /PRNewswire-FirstCall/ -- Dollar General Corporation (NYSE: DG) announced today its audited restated financial statements for its fiscal years ended February 2, 2001 ("2000"), January 28, 2000 ("1999"), and January 29, 1999 ("1998"), and is filing today with the Securities and Exchange Commission its Annual Report on Form 10-K and the proxy statement for its annual meeting to be held on February 20, 2002.

The Company also announced today that it has reached a settlement agreement with the lead plaintiffs in the putative class action and derivative lawsuits that had been filed against the Company following the Company's announcement that it would restate its audited financial statements for 1998 and 1999 and its previously released unaudited financial information for fiscal 2000. As a result of the execution of the settlement agreement relating to the putative class action litigation, the Company has recognized an expense of $162.0 million in the fourth quarter of 2000, which reduced the Company's after tax net income in fiscal 2000 by $99.0 million, or $0.30 per diluted share.

The Company's restated net income and diluted earnings per share for 2000 were $70.6 million and $0.21, respectively, as compared to the $206.0 million and $0.62 previously reported. Excluding the litigation settlement expense, restated net income and diluted earnings per share would have been $169.6 million and $0.51, respectively. In 1999, restated net income and diluted earnings per share were $186.7 million and $0.55, respectively, as compared with the $219.4 million and $0.65 previously reported. In 1998, restated net income and diluted earnings per share were $150.9 million and $0.45, respectively, as compared with the $182.0 million and $0.54 previously reported.

Restatement of Financial Statements

In its April 30, 2001, announcement, based on a preliminary assessment of the accounting issues involved, the Company estimated that the reduction in aggregate earnings as a result of the restatement would be approximately $0.07 per share over the three-year period of 2000, 1999 and 1998. The review completed by the Company of its financial statements ultimately identified a number of accounting issues for restatement in addition to those that formed the basis for the preliminary estimate provided on April 30, 2001. As a result of these additional issues, and following the completion of the Company's review of the issues that had been identified originally, the restatement has resulted in an aggregate effect on diluted earnings per share, excluding the litigation settlement expense, of $0.30 (on a rounded basis) over the three-year period. Over the three-year period, the Company has reduced its diluted earnings per share:

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* by approximately $0.05 to correctly record items impacting cost of goods
  sold that were recorded incorrectly and/or that reflect more accurate
  estimates;
* by approximately $0.11 to correctly record selling, general and
  administrative ("SG&A") expenses that were either incurred but not
  accrued, or recorded incorrectly;
* by approximately $0.11 to correctly record additional interest expense
  required as a result of restating certain operating leases as capital
  leases and financing obligations, and the addition of capital lease and
  financing obligation liabilities to the Company' s balance sheets; and
  by approximately $0.02 to correct errors in the Company's tax provision.
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Class Action Settlement Agreement

Following the Company's announcement on April 30, 2001, that it would restate its audited financial statements for fiscal 1999 and 1998 and its previously released unaudited financial information for fiscal 2000, more than 20 purported class action lawsuits were filed against the Company and certain current and former officers and directors of the Company, asserting claims under the federal securities laws. These cases were consolidated in federal court in Tennessee, and the court appointed the Florida State Board of Administration and the Teachers' Retirement System of Louisiana as lead plaintiffs under the Private Securities Litigation Reform Act of 1995 (the "Class Action").

The Company has reached a settlement agreement with the lead plaintiffs in the Class Action, pursuant to which the Company has agreed to make a cash payment to the class and to implement certain enhancements to its corporate governance and

internal control procedures. The settlement agreement resolves all outstanding shareholder claims brought in the Class Action and is subject to confirmatory discovery by the plaintiffs and to court approval. As a result of the execution of the settlement agreement, the Company has recognized an expense of $162.0 million in the fourth quarter of 2000. The Company expects to receive from its insurers approximately $4.5 million in respect of the class action settlement, which amount has not been accrued in the Company's financial statements.

A number of purported shareholder derivative lawsuits have also been filed in Tennessee state and U.S. federal courts against certain current and former Company directors and officers and Deloitte & Touche LLP, the Company's former independent accountant.

The Company and the individual defendants have reached a settlement agreement with counsel to Michael Dixon, Jr., Carolinas Electrical Workers Retirement Fund and Thomas Dewey, the lead plaintiffs in the lead Tennessee state shareholder derivative action. The agreement includes a payment to the Company from a portion of the proceeds of the Company's director and officer liability insurance policies as well as certain corporate governance and internal control enhancements. Pursuant to the terms of such agreement, the Company anticipates that all other shareholder derivative lawsuits, which are currently stayed, will be dismissed with prejudice by the courts in which they are pending. Such agreement is subject to confirmatory discovery and to court approval. If the settlement agreement is approved, the Company expects that it will result in a net payment to the Company, after attorneys' fees payable to the plaintiffs' counsel, of approximately $24.8 million, which amount has not been accrued in the Company's financial statements.

2000 Results of Operations

Net sales totaled $4.55 billion for 2000 compared with $3.89 billion for 1999, an increase of 17.0 percent. The increase resulted primarily from 706 net new stores and a same-store sales increase of 0.9 percent. During the year, the Company opened 758 new stores, relocated or remodeled 237 stores and closed 52 stores.

Gross profit for 2000 was $1.25 billion, or 27.5 percent of sales, compared with $1.09 billion, or 28.1 percent of sales in 1999.

SG&A expense for 2000 was $934.9 million compared with $772.9 million in 1999, an increase of 21.0 percent. As a percentage of sales, SG&A expense was 20.5 percent in 2000 compared with 19.9 percent in 1999.

In 2000, interest expense was $45.4 million compared with $25.9 million in 1999. The increase in interest expense in 2000 resulted from the net addition of $213.6 million in various long-term obligations during 2000, including $200 million of 8 5/8 percent notes, issued in June 2000 to repay outstanding short-term borrowings and for general corporate purposes. The Company's total debt as of February 2, 2001, was $729.8 million compared with $516.2 million as of January 28, 2000, which includes synthetic lease balances of $383.2 million and $413.3 million, respectively.

The effective income tax rates for 2000 and 1999 were 35.0 percent and 36.7 percent, respectively. The reduction in the effective tax rate in 2000 was due to the 38.9 percent marginal tax rate applied against the litigation settlement expense. Excluding the tax impact of the litigation settlement expense, the effective tax rate in 2000 was 37.3 percent.

Net LIFO merchandise inventories increased 6.3 percent to $1.01 billion at February 2, 2001, from $0.95 billion at January 28, 2000.

Capital expenditures for 2000 totaled $216.6 million, compared with $142.1 million for 1999. The Company opened 758 new stores and relocated or remodeled 237 stores at a cost of $112.7 million in 2000, compared with opening 646 new stores and relocating or remodeling 409 stores at a cost of $72.7 million in 1999. The increase in 2000 in store-related capital expenditures was due principally to the construction of approximately 72 Company-owned stores. Distribution-related capital expenditures totaled $49.3 million in 2000, resulting primarily from costs associated with the new distribution centers in Alachua, Florida and Zanesville, Ohio. Capital expenditures during 2001 are projected to be approximately $135 million, and the Company anticipates funding its 2001 capital requirements with cash flows from operations.

Dollar General operates more than 5,550 neighborhood stores in 27 states and operates distribution centers in Florida, Kentucky, Mississippi, Missouri, Ohio, Oklahoma and Virginia.

This press release contains historical and forward-looking information. The words "believe," "anticipate," "project," "plan," "expect," "estimate," "objective," "forecast," "goal," "intend," "will likely result," or " will continue" and similar expressions identify forward looking statements. The forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The Company believes the assumptions underlying these forward-looking statements are reasonable; however, any of the assumptions could be inaccurate, and therefore, actual results may differ materially from those projected in the forward-looking statements. The factors that may result in actual results differing from such forward-looking information include, but are not limited to: the Company's ability to maintain adequate liquidity through its cash resources and credit facilities, including its ability to refinance or replace such facilities on favorable terms at the maturity thereof; the Company's ability to comply with the terms of the Company's credit facilities (or obtain waivers for non-compliance); general transportation and distribution delays or interruptions; inventory risks due to shifts in market demand;

changes in product mix; interruptions in suppliers' businesses; fuel price and interest rate fluctuations; a deterioration in general economic conditions caused by acts of war or terrorism; temporary changes in demand due to weather patterns; delays associated with building, opening and operating new stores; the results of the Company's restatement and audit process; and the impact of the litigation and regulatory proceedings related to the restatement of the Company's financial statements, including the funding of the settlement of such litigation and the risk that the conditions to the effectiveness of such settlements, including the results of the plaintiffs' confirmatory discovery and the approval by the courts, may not be realized.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this release. The Company undertakes no obligation to publicly update or revise any forward-looking statements contained herein to reflect events or circumstances occurring after the date of this release or to reflect the occurrence of unanticipated events.

DOLLAR GENERAL CORPORATION
AUDITED INCOME STATEMENTS & KEY OPERATIONAL DATA
(000's)

	Income Statements For the Year Ended		
		(restated)	(restated)
	February 2 2001	January 28 2000	January 29 1999
Sales	$4,550,571	$3,887,964	$3,220,989
Cost of Sales	3,299,668	2,794,466	2,328,470
Gross Margin	1,250,903	1,093,498	892,519
SG&A Expense	934,899	772,928	639,534
Litigation Settlement Expense	162,000	0	0
Operating Income	154,004	320,570	252,985
Interest Expense	45,357	25,873	13,976
Pre-Tax Income	108,647	294,697	239,009
Taxes	38,005	108,024	88,075
Net Income	$70,642	$186,673	$150,934
Diluted earnings per share	$0.21	$0.55	$0.45
Weighted average diluted shares	333,858	337,904	335,763

KEY OPERATIONAL DATA

	February 2 2001	January 28 2000	January 29 1999
Sales by Category:			
Highly Consumable	$2,518,052	$1,996,454	$1,364,032
Hardware and Seasonal	$706,140	$640,791	$604,485
Basic Clothing	$554,117	$482,390	$391,609
Home Products	$772,262	$768,329	$860,863
TOTAL SALES	$4,550,571	$3,887,964	$3,220,989

DOLLAR GENERAL CORPORATION
BALANCE SHEETS
($000's)
(Unaudited)

	February 2 2001	(restated) January 28 2000	(restated) January 29 1999
Assets			
Current Assets:			
Cash and cash equivalents	$162,310	$54,742	$27,643
Merchandise inventories	896,235	952,432	793,596
Deferred income taxes	21,514	20,486	15,576
Other current assets	44,868	46,455	31,104
TOTAL CURRENT ASSETS	1,124,927	1,074,115	867,919
Property & equipment, at cost	1,339,554	1,109,376	706,790
Less: Accumulated depreciation and amoritization	366,460	271,987	207,042
Net property and equipment	973,094	837,389	499,748
Merchandise inventories	116,000	0	0
Deferred income taxes	52,708	0	0
Other assets, net	15,733	12,124	8,345
TOTAL ASSETS	$2,282,462	$1,923,628	$1,376,012
Liabilities & Shareholders' Equity			
Current Liabilities			
Current portion of long-term obligations	$9,035	$1,828	$725
Accounts payable	297,262	344,598	266,596
Accrued expenses	214,192	166,290	168,168
Income taxes	17,446	26,991	22,866
TOTAL CURRENT LIABILITIES	537,935	539,707	458,355
Long-Term obligations	720,764	514,362	221,694
Deferred income taxes	0	24,206	21,557
Litigation settlement payable	162,000	0	0
TOTAL LIABILITIES	1,420,699	1,078,275	701,606
Stockholders' Equity:			
Preferred stock	0	0	858
Common stock	165,646	165,411	164,073
Additional paid-in capital	283,925	229,906	363,212
Retained earnings	414,318	450,036	346,790
Less: Treasury stock	0	0	200,527
Common stock purchased by employee deferred compensation trust	2,126	0	0
TOTAL STOCKHOLDERS' EQUITY	861,763	845,353	674,406
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$2,282,462	$1,923,628	$1,376,012

DOLLAR GENERAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(000's)
(Unaudited)

	For the Year Ended		
	February 2 2001	(restated) January 28 2000	(restated) January 29 1999

Cash flows from operating activities:			
Net income	$70,642	$186,673	$150,934
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation and amortization	111,399	79,707	57,414
Deferred income taxes	(77,942)	(2,261)	(3,889)
Tax benefit from stock option exercises	19,018	30,287	32,252
Litigation settlement	162,000	--	--
Change in operating assets and liabilities:			
Merchandise inventories	(59,803)	(158,836)	(171,239)
Other Current Assets	4,650	(15,351)	(11,230)
Accounts payable	(47,336)	78,002	86,623
Accrued expenses and other	39,391	(2,144)	14,931
Income taxes	(9,545)	4,125	20,640
Other	3,031	(3,480)	(2,745)
Net cash provided by (used in) operating activities	215,505	196,722	173,691
Cash flows provided by (used in) investing activities:			
Purchase of property and equipment	(216,584)	(142,070)	(143,382)
Proceeds from sale of property and equipment	97,612	3,051	222
Net cash provided by (used in) investing activities	(118,972)	(139,019)	(143,160)
Cash flows provided by (used in) financing activities:			
Issuance of short-term borrowings	220,000	295,324	165,000
Repayments of short-term borrowings	(220,000)	(295,324)	(186,933)
Issuance of long-term debt	199,595	22,848	72,257
Repayments of long-term debt	(112,276)	(7,705)	(2,667)
Payment of cash dividend	(42,237)	(33,791)	(26,661)
Proceeds from exercise of stock options	34,130	38,797	30,727
Repurchase of common stock	(62,988)	(50,753)	(73,236)
Purchase of common stock for deferred compensation plan	(2,126)	0	0
Settlement of derivative financial instruments	(3,063)	0	0
Transfer to ESOP	0	0	755
Net cash provided by (used in) financing activities	11,035	(30,604)	(20,758)
Net increase (decrease) in cash and cash equivalents	107,568	27,099	9,773
Cash and cash equivalents beginning of period	54,742	27,643	17,870
Cash and cash equivalents end of period	$162,310	$54,742	$27,643
Purchase of property and equipment under capital lease obligation	$126,290	$272,233	$120,863
Conversion of preferred stock to common stock	$ --	$200,527	$ --

DOLLAR GENERAL CORPORATION
EFFECTS OF RESTATEMENT

Year Ended February 2, 2001

	As Previously Reported	Restatement Related Adjustments	As Restated	As Restated Excluding Litigation Settlement Expense
Net Sales	$4,551,511	$(940)	$4,550,571	
Cost of goods sold	3,293,126	6,542	3,299,668	3,299,668
Gross profit	1,258,385	(7,482)	1,250,903	1,250,903
SG&A Expense	923,760	11,139	934,899	934,899
Litigation settlement expense	--	162,000	162,000	--
Operating profit	334,625	(180,621)	154,004	316,004
Interest Expense	11,508	33,849	45,357	45,357
Income before taxes on income	323,117	(214,470)	108,647	270,647
Provisions for taxes on income	117,098	(79,093)	38,005	100,951
Net income	$206,019	$(135,377)	$70,642	$169,696
Diluted earnings per share	$0.62	($0.41)	$0.21	$0.51
Weighted average diluted shares (000)	333,858	--	333,858	333,858

Year Ended January 28, 2000

	As Previously Reported	Restatement Related Adjustments	As Restated
Net Sales	$3,887,964	$ --	$3,887,964
Cost of goods sold	2,790,173	4,293	2,794,466
Gross profit	1,097,791	(4,293)	1,093,498
SG&A Expense	748,489	24,439	772,928
Operating profit	349,302	(28,732)	320,570
Interest Expense	5,157	20,716	25,873
Income before taxes on income	344,145	(49,448)	294,697
Provisions for taxes on income	124,718	(16,694)	108,024
Net income	$219,427	$(32,754)	$186,673
Diluted earnings per share	$0.65	($0.10)	$0.55
Weighted average diluted shares (000)	336,963	941	337,904

Year Ended January 29, 1999

	As Previously Reported	Restatement Related Adjustments	As Restated
Net Sales	$3,220,989	$ --	$3,220,989
Cost of goods sold	2,315,112	13,358	2,328,470
Gross profit	905,877	(13,358)	892,519
SG&A Expense	616,613	22,921	639,534
Operating profit	289,264	(36,279)	252,985
Interest Expense	8,349	5,627	13,976
Income before taxes on			

income	280,915	(41,906)	239,009
Provisions for taxes on income	98,882	(10,807)	88,075
Net income	$182,033	$(31,099)	$150,934
Diluted earnings per share	$0.54	($0.09)	$0.45
Weighted average diluted shares (000)	335,498	265	335,763

DOLLAR GENERAL CORPORATION
EFFECTS OF RESTATEMENT
REDUCTIONS OF DILUTED EARNINGS PER SHARE

	Three-Year Cumulative	Feb. 2 2001	Jan. 28 2000	Jan. 29 1999
Cost of Goods Sold	($0.05)	($0.01)	($0.01)	($0.03)
SG&A Expense	($0.11)	($0.02)	($0.05)	($0.04)
Interest Expense	($0.11)	($0.06)	($0.04)	($0.01)
Tax Provision	($0.02)	($0.01)	($0.00)	($0.01)
Total Restatement Accounting Adjustments*	($0.30)	($0.11)	($0.10)	($0.09)
EPS Impact of Litigation Settlement	($0.30)	($0.30)	0	0
TOTAL	($0.60)	($0.41)	($0.10)	($0.09)

* Totals may not foot due to rounding

SOURCE Dollar General Corporation

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