



Ross Stores Reports Second Quarter Earnings

August 22, 2001

NEWARK, Calif., Aug 22, 2001 /PRNewswire/ -- Ross Stores, Inc. (Nasdaq: ROST) today reported net earnings for the 13 weeks ended August 4, 2001 of \$35.4 million, compared to \$35.9 million for the 13 weeks ended July 29, 2000. Earnings per share for the same period grew 2% to \$.44, from \$.43 in the prior year. Current year second quarter sales totaled \$725 million, up 10% from the \$657 million in sales for the quarter ended July 29, 2000. Comparable store sales for the period increased 1% over the prior year.

For the six months ended August 4, 2001, net earnings totaled \$70.0 million, compared to \$76.8 million for the same period in 2000. Earnings per share for the first six months declined 3% to \$.87 from \$.90 in the prior year. Sales for the first six months grew 7% to \$1.399 billion, with same store sales down 1% for the period.

Michael Balmuth, Vice Chairman and Chief Executive Officer, said, "We are pleased that our sales trends improved each month during the second quarter despite the continued difficult economic and competitive environment. Comparable store sales were down 1%, flat and then up 5% in May, June and July, respectively, compared to the prior year. Over the past several months, we have strengthened our merchandise offerings with increased levels of nationally-recognized name brand product, a more balanced mix of ladies career vs. casual apparel, and more diversity in our home assortments. We believe that our customers are responding favorably to these changes, especially in light of the solid sales of early fall season merchandise in July."

Mr. Balmuth continued, "Gross margin declined about 40 basis points during the second quarter. As a percent of sales, slightly higher freight costs, a lower markup and some loss of leverage on occupancy expense were partially offset by lower markdowns, which benefited from tight inventory controls. General, selling and administrative expenses rose about 50 basis points, primarily due to higher store payroll, benefit and distribution costs combined with loss of leverage from the below plan same store sales. As a result, operating margin for the second quarter fell to 8.2%, compared to 9.1% for the same period in 2000."

Mr. Balmuth noted, "During the first six months of the year, we continued to invest free cash flows in our stock repurchase program. As of August 4, 2001, we had repurchased a total of 12.3 million shares for an aggregate purchase price of \$216 million under our two-year, \$300 million buyback program authorized in February of 2000. We ended the quarter with 79.8 million shares of common stock outstanding."

"Our expansion program remains on schedule. We are pleased with the performance of the 23 new stores we opened to date in 2001, including five locations in our new southeast markets of Georgia, North and South Carolina. We expect to add another 22 new stores in the third quarter, our largest group of store openings this year. After closing four older locations, we plan to end fiscal 2001 with about 450 stores in 22 states," said Mr. Balmuth.

The company will provide additional details concerning its second quarter results and business outlook on a conference call to be held on Wednesday, August 22, 2001 at 11:00 a.m. EDT. A listen-only live recording of the conference call can be accessed by dialing 973-321-1030 or going to the company's website at www.rossstores.com. A playback of the call will also be available at the web site address through the end of September or by calling 402-220-5900, PIN #2342 until August 29, 2001.

Forward-Looking Statements: This press release contains certain forward-looking statements which are subject to risks and uncertainties that could cause the company's actual results to differ materially from management's current expectations. The words "expect," "anticipate," "estimate," "believe," "forecast," "projected" and similar expressions identify forward-looking statements. Risk factors include obtaining acceptable new store locations, competitive pressures in the apparel industry, changes in economic conditions, changes in the level of consumer spending on or preferences in apparel or home-related merchandise, the availability of dependable energy resources at reasonable costs, unseasonable weather trends, and greater than planned operating costs. Other risk factors are detailed in the company's Form 10-K for fiscal 2000. The factors underlying our forecasts are dynamic and subject to change. As a result, our forecasts speak only as of the date they are given and do not necessarily reflect the company's outlook at any other point in time. The company does not undertake to update or revise these forward-looking statements.

Ross Stores, Inc. operates a chain of off-price retail stores offering first quality, in-season, branded apparel and apparel-related merchandise for the entire family at prices that average 20% to 60% less than department and specialty stores, as well as merchandise for the home at similar savings. The company had 431 stores in operation August 4, 2001, compared to 392 stores at the end of the same period last year.

ROSS STORES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

Three Months Ended		Six Months Ended	
August 4, 2001	July 29, 2000	August 4, 2001	July 29, 2000

(\$000, except per share
data, unaudited)

Sales	\$724,591	\$657,035	\$1,398,950	\$1,290,463
Costs and Expenses				
Cost of goods sold and occupancy	505,393	455,797	969,921	890,222
General, selling and administrative	147,989	130,646	287,226	252,092
Depreciation and amortization	12,077	10,772	24,077	21,250
Interest expense (income)	1,050	835	2,705	840
	666,509	598,050	1,283,929	1,164,404
Earnings before income taxes	58,082	58,985	115,021	126,059
Provision for taxes on earnings	22,710	23,063	44,973	49,289
Net earnings	\$35,372	\$35,922	\$70,048	\$76,770
Earnings per share				
Basic	\$0.44	\$0.43	\$0.87	\$0.91
Diluted	\$0.44	\$0.43	\$0.87	\$0.90
Weighted average shares outstanding				
Basic	79,967	82,753	80,122	84,020
Diluted	80,989	83,530	80,967	84,853
Stores open end of period	431	392	431	392

ROSS STORES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(\$000, unaudited)	August 4, 2001	July 29, 2000
ASSETS		
Current Assets		
Cash and cash equivalents	\$38,956	\$41,948
Accounts receivable	20,364	16,217
Merchandise inventory	612,415	577,569
Other current assets	22,485	19,061
Total Current Assets	\$694,220	\$654,795
Property and equipment, net	312,528	283,492
Lease rights, deferred income taxes and other assets	40,273	62,338
	\$1,047,021	\$1,000,625
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable, accrued expenses and other	\$408,210	\$419,403
Income taxes payable	42,217	20,071
Total Current Liabilities	\$450,427	\$439,474
Long-term debt	50,000	80,000
Other liabilities	43,979	53,704
Stockholders' Equity	502,615	427,447
	\$1,047,021	\$1,000,625

SOURCE Ross Store, Inc.

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