Ross Stores, Inc.

1999 Annual Report

Highlights

Fiscal 1999 revenues approach $2.5 billion.
Total sales for the year increased 13% to $2.469 billion, benefiting from 8% growth in new stores and a solid 6% increase in comparable store sales.

Sales per selling square foot reach a record level of $300.
Maintaining lean in-store inventories has resulted in faster turns and fresher assortments of branded goods—*"There's always something new when you're shopping at Ross."* Our diverse offering of compelling bargains on name-brand products has been a major driver of improved sales productivity.

Operating margin[1] grows to a record 10.3%.
Solid growth in gross profit margins, driven by a combination of better buying and strict inventory controls, has contributed to continued improvement in operating profits as a percent of sales.

[1] Before non-recurring pre-tax charge of $9.0 million, or $.06 per share, related to litigation.

The stock repurchase program reflects the company's ongoing commitment to enhancing stockholder returns.
The company purchased 5.4 million shares of its common stock during 1999 at an aggregate cost of $120 million. The Board of Directors has approved a new repurchase program of up to $300 million over the next two years.

Return on average stockholders' equity sustained at a record 33% in 1999.
Solid increases in sales and earnings combined with the repurchase program to deliver superior stockholder returns.

Return on average assets maintained at 17%.
The company's strategic focus on better buying, strict inventory and expense controls and focused growth in existing markets have all combined to sustain this ratio at record levels.

Corporate Profile

At year-end 1999, Ross Stores, Inc. operated 378 Ross "Dress For Less" Stores in 17 states. The average store features approximately 29,000 gross square feet in a self-service, easy-to-shop format that is conveniently located in a neighborhood shopping center.

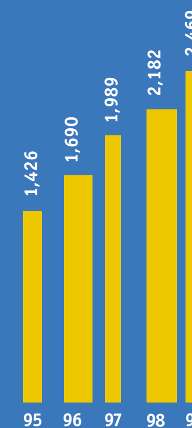
As an off-price retailer, Ross offers first-quality, in-season, name-brand apparel, accessories and footwear for the entire family at everyday savings of 20% to 60% off department and specialty store regular prices. Similar savings can be found on a wide variety of merchandise for the home.

Financial Highlights

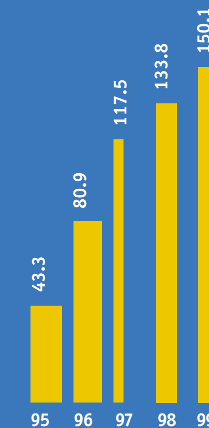
($000, except per share data)	1999	1998	1997
Operating Results			
Sales	$ 2,468,638	$ 2,182,361	$ 1,988,692
Earnings before taxes[2]	246,479	219,415	195,789
Net earnings[2]	150,106	133,843	117,474
Earnings per diluted common share[1,2]	$ 1.64	$ 1.40	$ 1.17
Financial Position			
Total assets	$ 947,678	$ 870,306	$ 737,953
Total debt	0	0	0
Working capital	190,724	170,795	174,678
Current ratio	1.5:1	1.4:1	1.5:1
Total debt as a percent of total capitalization	0%	0%	0%
Stockholders' equity	473,431	424,703	380,681
Operating Statistics			
Diluted shares (000)[1]	91,671	95,700	100,003
Net earnings as a percent of sales[2]	6.1%	6.1%	5.9%
Return on average stockholders' equity	33%	33%	33%
Comparable store sales increase	6%	3%	10%
Number of stores at year-end	378	349	325

[1] All shares and per share data have been adjusted to reflect the two-for-one stock splits in the form of 100% stock dividends paid on September 22, 1999 and March 5, 1997. See Note H of Notes to Consolidated Financial Statements for quarterly financial and stock price information.
[2] Net earnings and earnings per share for fiscal 1999 include a non-recurring pre-tax charge of $9.0 million, or $.06 per share, related to litigation. See Note G of Notes to Consolidated Financial Statements.

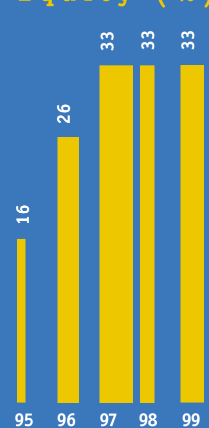
Sales
($ million)



Net Earnings
($ million)



Return on Average Stockholders' Equity (%)



Note: This Annual Report contains forward-looking statements concerning the company's business and current outlook that may be subject to risk factors that could cause actual results to differ materially from current expectations. These factors are detailed in the company's Form 10-K and Management's Discussion and Analysis for fiscal 1999.

To Our Stockholders, Employees & Customers

We are delighted to report that 1999 represented another year of milestone achievements for Ross Stores. Our continued focus on effectively executing our strategic initiatives resulted in a sixth consecutive year of solid gains in both sales and earnings, new record levels of sales productivity and operating profitability, and impressive returns on both stockholders' equity and assets.

In today's world of numerous retail choices, we strongly believe that the off-price shopping experience remains an exciting alternative for customers. At Ross, improved merchandise assortments along with strong operational efficiencies have created a winning off-price formula.

A top priority for all Ross employees is to listen and react quickly to customers' feedback and changing preferences. We have never lost sight of this crucial ingredient to our success. Our focus on the customer has enabled us to offer meaningful and compelling values every day on an ever-changing mix of designer and nationally-advertised name-brand fashions and products. And our television marketing message reinforces this strategic thrust—*"There's always something new when you're shopping at Ross!"*

Our solid financial performance in 1999 indicates that customers continue to respond favorably to these initiatives. Proforma net earnings for the 52 weeks ended January 29, 2000 grew to a record $155.6 million, with proforma earnings per share up 21% to $1.70. Sales for the year grew 13% to $2.469 billion, with comparable store sales increasing a solid 6%. Productivity reached new records as well, with sales per selling square foot reaching $300 on average store sales of $6.8 million. Fiscal 1999 results are reported proforma for the exclusion of a pre-tax charge of $9.0 million, or $.06 per share, for non-recurring costs related to litigation. Including these costs, net earnings totaled $150.1 million, or $1.64 per share.

Operating income in 1999 continued to benefit from our expanded merchant organization, strict inventory controls and improved sales productivity. These factors, along with leverage on occupancy costs, contributed to a 41 basis point expansion in gross margin. This improvement was partially offset by a 12 basis point increase in general, selling and administrative expenses as a percent of sales, again before non-recurring expenses related to litigation. As a result, proforma operating margin in 1999 grew by 27 basis points to a record 10.3%, up from 10.1% in 1998 and almost double the 5.2% we realized just four years ago in 1995.

Our ability to combine growth with profitability was the key driver of our solid financial results in 1999. Strong cash flows have enabled the company to internally fund store growth, repurchase stock, increase our dividend payouts and end the year with $79 million in cash and no debt on the balance sheet. Capital expenditures in 1999 totaled $74 million as the company opened 34 new stores and closed 5 existing locations for a net addition of 29 stores. In addition, we remodeled another 10 stores, expanded 4 locations, increased the areas for our non-apparel businesses in many stores, and invested in new systems in our merchandising and distribution areas.

We are especially pleased with the competitive returns we were able to deliver on average stockholders' equity, maintaining this key ratio at a record level of 33% in 1999. Return on average assets was also sustained at a record level of 17%, even with 1998. These strong returns benefited from the solid growth in earnings and the repurchase of 5.4 million shares during the year at an aggregate cost of $120 million. In addition, in January 2000, the Board of Directors approved a new stock repurchase program of up to $300 million over the next two years, as well as a 15% increase in the quarterly cash dividend payment. These actions support our ongoing commitment to enhancing stockholder returns.

Looking ahead, we see exciting opportunities for future growth as our people continue to respond to customer feedback by fine-tuning our strategies and discovering innovative ways to deliver value. We want to thank all of our Ross associates for their ongoing commitment to excellence. Their contributions are the number one driver of our past success and our biggest asset as we look to the future.

Michael Balmuth
Vice Chairman and Chief Executive Officer

Norman A. Ferber
Chairman of the Board

March 10, 2000

There's always something new ...when you're shopping at Ross!

New brands...new products...stronger savings translate into great values everyday! At Ross "Dress For Less" our mission is to deliver a constantly changing assortment of exciting designer and nationally-advertised name-brand fashions for the family and home—all at compelling prices every day of the week. Following is a progress report on the evolution of our strategic initiatives during 1999.

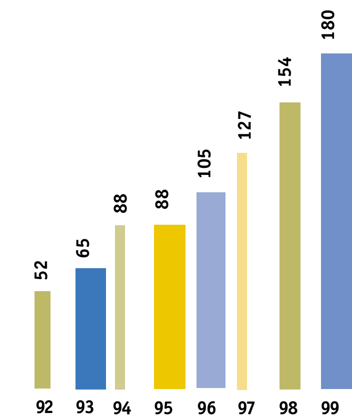
Expanding and leveraging our buying power. During 1999, we continued to invest in and expand our merchandise organization to gain broader market coverage, address regional needs and pursue new business opportunities. We are convinced that the key to delivering great bargains lies in the size and quality of our merchandise organization. Over the past several years we have more than tripled the size of our buying staff, with approximately 180 Ross merchants at the end of 1999. Our financial results show that this investment is delivering strong returns in the form of solid gains in both sales and earnings.

Most Ross buys today are "close-out" purchases, which we can acquire at large discounts and pass the savings on to our customers. Close-outs include overruns, canceled orders or end-of-line merchandise purchased during the season. We also buy "packaway" goods, which are closeouts bought at the end of one season and "packed away" for release the following season. By focusing on an opportunistic buying strategy, Ross is able to offer more compelling values on a broad assortment of brands and products.

Diversifying the merchandise mix. We believe that our strategic focus on the most important area of the business—merchandising—is the key reason our concept remains continually new, fresh and exciting for customers. During 1999, we continued to broaden our product mix with an increased emphasis on non-apparel classifications, expanding square footage and increasing inventories for the home-related businesses in over 100 stores. Both the Home Accents and Bed and Bath departments posted strong double digit comparable store sales gains during the year and combined grew to over 16% of an average store's volume.

In addition, we continued to evaluate and modify the fine jewelry product mix and pricing. This new category was introduced in 1998 and currently is featured in over 40 stores. Based on the solid results realized over the past year, we plan to double the number of locations with fine jewelry departments. In the fall of 2000, we expect to have 85 stores featuring this new merchandise.

Merchandise Organization
Fiscal 1992-1999

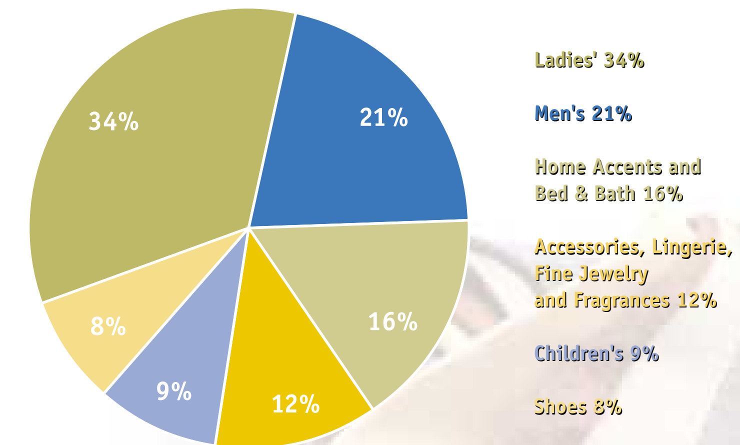


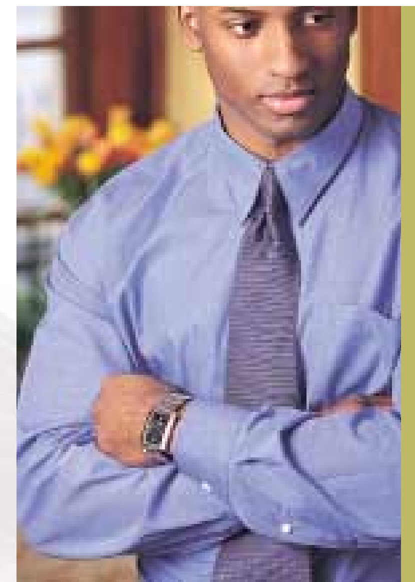
During the coming year, we will continue to expand square footage in targeted stores and add new classifications in these very successful non-apparel businesses. Merchandise diversification remains an effective strategy that keeps Ross more in tune with customer shopping habits while making us less reliant on the sometimes unpredictable shifts in apparel spending. We see further room for growth in this area and are planning non-apparel sales to approach 20% of an average store's volume over the next few years.

Maintaining strict controls on expenses and inventories. Even though the pressure of higher benefit costs, credit card fees and incentive plan costs contributed to an incremental increase in our expense ratio during 1999, the company has realized significant efficiencies and leverage over the last decade. Since 1990, general, selling and administrative expense as a percentage of total sales has declined by approximately 400 basis points, benefiting from our investment in systems, the reduction or automation of many routine tasks and leverage on advertising expenses. Inventory control also has been a key driver of margin expansion. Throughout 1999, we maintained in-store inventories at or slightly lower than 1998 levels. We have pursued this strategy since 1995, contributing to a faster flow of goods to the stores and a higher level of new and exciting merchandise receipts in our assortments, both of which encourage more frequent shopping by customers. In addition, these controls have resulted in improved inventory turn, reduced markdowns and higher gross margins as a percent of sales over the past several years.

Developing systems to improve regional merchandise trends. To further improve sales productivity, especially in non-sunbelt markets, we are investing in new systems and planning processes. Our objective is to systematically plan and track detailed sales trends to obtain a better understanding of regional differences based on climate, product, style or brand preferences. These new systems are expected to provide more visibility into regional performance. Implementation of these new systems and planning processes is occurring in phases, with full installation and operation expected by the end of 2001. We believe this investment should enhance our ability to deliver more of the right merchandise to the right stores at the right time. In addition, if we can improve our ability to fine tune merchandise assortments to meet different customer preferences by geographic regions, we can enhance our prospects for successful new market entries.

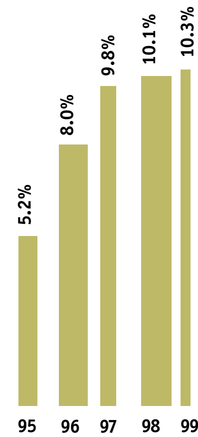
Targeting growth in new states. We currently plan to accelerate our store growth outside of our current network of 17 states in 2001 and beyond. Over the past several years, most of our store growth has been in existing markets. During 1999, we opened 34 stores and closed 5 older locations, ending the year with 378 stores in 17 states. In 2000, we plan to open another 30 net new stores, all in our existing states, or about eight percent square footage growth. Entry into one or more new markets in a new state is planned for 2001, when we expect to accelerate growth with a net addition of 35 to 40 new stores.





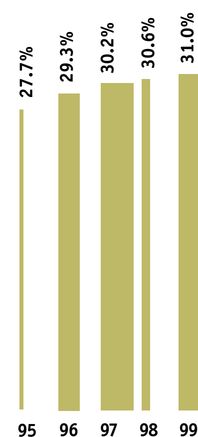
There are many exciting growth prospects as we look to the future. Today Ross operates in only 17 states, leaving 33 new states available for expansion. Over the next five years, we believe there is an opportunity to expand the chain to about 600 stores. Our long-range objective is to leverage Ross Stores' success as a top performing off-price retailer in the markets we currently serve into one of the country's largest leading national off-price chains.

Operating Margin[1]

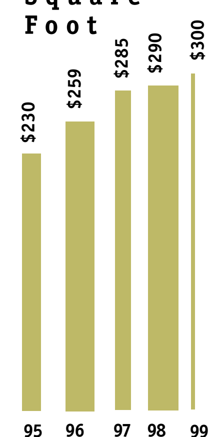


Store Growth

Gross Margin

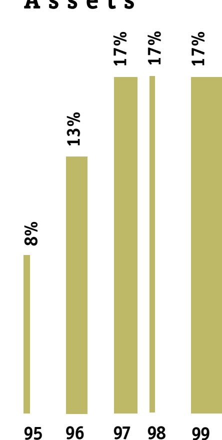


Sales Per Selling Square Foot



Expense Ratio[1]

Return on Average Assets



[1] 1999 Operating Margin and Expense Ratio calculated before a non-recurring pre-tax charge of $9.0 million, or $.06 per share, related to litigation.

Selected Financial Data

($000, except per share data)	1999	1998	1997	1996	1995[2]
Operations					
Sales	$ 2,468,638	$ 2,182,361	$ 1,988,692	$ 1,689,810	$ 1,426,397
Cost of goods sold and occupancy	1,702,342	1,513,889	1,388,098	1,194,136	1,031,455
Percent of sales	69.0%	69.4%	69.8%	70.7%	72.3%
General, selling and administrative	472,822	415,284	374,119	332,439	293,051
Percent of sales	19.2%	19.0%	18.8%	19.7%	20.5%
Depreciation and amortization	38,317	33,514	30,951	28,754	27,033
Interest (income) expense	(322)	259	(265)	(360)	2,737
Provision for litigation expense[1]	9,000				
Earnings before taxes[1]	246,479	219,415	195,789	134,841	72,121
Percent of sales[1]	10.0%	10.1%	9.8%	8.0%	5.1%
Provision for taxes on earnings	96,373	85,572	78,315	53,936	28,849
Net earnings[1]	150,106	133,843	117,474	80,905	43,272
Percent of sales[1]	6.1%	6.1%	5.9%	4.8%	3.0%
Diluted earnings per share[1,3]	$ 1.64	$ 1.40	$ 1.17	$ .79	$ .44
Cash dividends declared per common share[3]	$ .135	$` .115	$ .095	$ .075	$ .063
Financial Position					
Merchandise inventory	$ 500,494	$ 466,460	$ 418,825	$ 373,689	$ 295,965
Property and equipment, net	273,164	248,712	204,721	192,647	181,376
Total assets	947,678	870,306	737,953	659,478	541,152
Return on average assets[1]	17%	17%	17%	13%	8%
Working capital	190,724	170,795	174,678	134,802	121,692
Current ratio	1.5:1	1.4:1	1.5:1	1.4:1	1.6:1
Total debt	0	0	0	0	9,806
Total debt as a percent of total capitalization	0%	0%	0%	0%	3%
Stockholders' equity	473,431	424,703	380,681	328,843	291,516
Return on average stockholders' equity[1]	33%	33%	33%	26%	16%
Book value per common share outstanding at year-end[3]	$ 5.33	$ 4.59	$ 3.97	$ 3.33	$ 2.96
Operating Statistics					
Number of stores opened	34	26	17	21	21
Number of stores closed	5	2	1	4	4
Number of stores at year-end	378	349	325	309	292
Comparable store sales increase (52-week basis)	6%	3%	10%	13%	2%
Sales per square foot of selling space (52-week basis)[4]	$ 300	$ 290	$ 285	$ 259	$ 230
Square feet of selling space at year-end (000)	8,544	7,817	7,172	6,677	6,276
Number of employees at year-end	20,718	20,081	17,039	14,853	11,935
Number of common stockholders of record at year-end	827	818	813	826	1,022

[1] Fiscal 1999 includes a non-recurring pre-tax charge of $9.0 million, or $.06 per share, related to litigation. See Note G of Notes to Consolidated Financial Statements.
[2] Fiscal 1995 is a 53-week year; all other fiscal years have 52 weeks.
[3] All per share information is adjusted to reflect the effect of the two-for-one stock splits effected in the form of 100% stock dividends paid on September 22, 1999 and March 5, 1997.
[4] Based on average annual selling square footage.

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

The fiscal years ended January 29, 2000, January 30, 1999 and January 31, 1998 are referred to as 1999, 1998 and 1997, respectively.

Results of Operations

	Year Ended January 29, 2000	Year Ended January 30, 1999	Year Ended January 31, 1998
Sales			
Sales ($000)	$2,468,638	$2,182,361	$1,988,692
Sales growth	13%	10%	18%
Comparable store sales growth	6%	3%	10%
Cost and Expenses (as a percent of sales)			
Cost of goods sold and occupancy	69.0%	69.4%	69.8%
General, selling and administrative	19.2%	19.0%	18.8%
Depreciation and amortization	1.6%	1.5%	1.6%
Interest (income) expense	(0%)	0%	(0%)
Provision for litigation expense	0.4%		
Net Earnings	6.1%	6.1%	5.9%

Stores. Total stores open at the end of 1999, 1998 and 1997 were 378, 349 and 325, respectively. During 1999, the company opened 34 new stores and closed five stores. During 1998, the company opened 26 new stores and closed two stores. During 1997, the company opened 17 new stores and closed one store.

Sales. The increases in sales for 1999, 1998 and 1997 were due to a greater number of stores in operation and an increase in comparable store sales. The company anticipates that the competitive climate for apparel and off-price retailers will continue in 2000. Management expects to address that challenge by continuing to strengthen the merchandise organization, diversifying the merchandise mix, and more fully developing the organization and systems to strengthen regional merchandise offerings. Although the company's existing strategies and store expansion program contributed to sales and earnings gains in 1999, 1998 and 1997, there can be no assurance that these strategies will result in a continuation of revenue and profit growth.

Cost of Goods Sold and Occupancy. The reduction in the cost of goods sold and occupancy ratio in 1999 resulted primarily from an increase in the initial mark-up from purchasing more opportunistically, leverage on occupancy costs and lower markdowns as a percentage of sales. The reduction in the cost of goods sold and occupancy ratio in 1998 resulted primarily from an increase in the initial mark-up from purchasing more opportunistically and leverage on occupancy costs. There can be no assurance that the improvements experienced in 1999 and 1998 will continue in future years.

General, Selling and Administrative Expenses. During 1999, general, selling and administrative expenses as a percentage of sales increased primarily due to higher benefit costs, credit card fees and management incentive plan expenses. During 1998, general, selling and administrative expenses as a percentage of sales increased primarily due to costs associated with the company's year 2000 remediation efforts.

The largest component of general, selling and administrative expenses is payroll. The total number of employees, including both full- and part-time, at year-end 1999, 1998 and 1997, was approximately 20,700, 20,100 and 17,000, respectively.

Depreciation and Amortization. Depreciation and amortization as a percentage of sales have remained relatively constant over the last three years, due primarily to the consistent level of fixed assets in each store.

Provision for Litigation Expense. The company has reached a preliminary understanding to resolve a class action complaint alleging store managers and assistant managers in California are incorrectly classified as exempt from state overtime laws. As a result, in 1999 the company recorded a non-recurring pre-tax charge of $9.0 million relating to this matter. When terms are completed, the company expects to execute a settlement agreement, without any admission of wrongdoing, which will be subject to subsequent judicial approval. See Note G of Notes to Consolidated Financial Statements.

Taxes on Earnings. The company's effective rate for 1999, 1998 and 1997 was 39%, 39% and 40%, respectively, which represents the applicable federal and state statutory rates reduced by the federal benefit received for state taxes. During 2000, the company expects its effective tax rate to remain at approximately 39%. Additionally, the increase in income taxes paid in 1999 and the decrease in income taxes paid in 1998 from 1997 resulted primarily from an increase in pre-tax earnings and timing differences in the payment of taxes between the years.

Financial Condition

Liquidity and Capital Resources. During 1999, 1998 and 1997, liquidity and capital requirements were provided by cash flows from operations, bank credit facilities and trade credit. The company's store sites, certain warehouses and buying offices are leased and, except for certain leasehold improvements and equipment, do not represent long-term capital investments. Commitments related to operating leases are described in Note C of Notes to Consolidated Financial Statements. The company owns its distribution center and corporate headquarters in Newark, California, and its distribution center in Carlisle, Pennsylvania. Short-term trade credit represents a significant source of financing for investments in merchandise inventory. Trade credit arises from customary trade practices with the company's vendors. Management regularly reviews the adequacy of credit available to the company from all sources and has been able to maintain adequate lines to meet the capital and liquidity requirements of the company.

During 1999, the primary uses of cash, other than for operating expenditures, were for merchandise inventory, property and equipment to open 34 new stores, the relocation, remodeling or expansion of 14 stores, the repurchase in the open market of $120.0 million of the company's common stock, and quarterly cash dividend payments. During 1998, the primary uses of cash, other than for operating expenditures, were for merchandise inventory, property and equipment to open 26 new stores, the relocation, remodeling or expansion of 20 stores, the repurchase in the open market of $110.0 million of the company's common stock, the purchase of the company's Newark, California, distribution center and corporate headquarters for $24.6 million, and quarterly cash dividend payments. During 1997, the primary uses of cash, other than for operating expenditures, were for merchandise inventory, property and equipment to open 17 new stores, the relocation or remodeling of six stores, the repurchase in the open market of $98.1 million of the company's common stock and quarterly cash dividend payments. In 1999, 1998 and 1997, the company spent approximately $74.0 million, $78.5 million and $33.3 million, respectively, for capital expenditures, net of leased equipment, that included fixtures and leasehold improvements to open new stores; relocate, remodel or expand existing stores; purchase previously leased equipment; and various other expenditures for existing stores and the central office.

The company currently anticipates opening approximately 30 stores, net of closures, in 2000 and an additional 35 to 40 stores, net of closures, in 2001. The company anticipates that this growth will be financed primarily from cash flows from operating activities and available credit facilities.

In January 2000, a 15% increase in the quarterly cash dividend payment from $.0325 to $.0375 per common share was declared by the company's Board of Directors, payable on or about April 3, 2000. The Board of Directors declared quarterly cash dividends of $.0325 per common share in January, May, August and November 1999 and $.0275 per common share in January, May, August and November 1998. The company uses cash flows from operating activities and available credit facilities to fund dividend payments.

In January 2000, the company announced that the Board of Directors authorized a new stock repurchase program of up to $300.0 million over the next two years. The company anticipates funding this new program through cash flows from operating activities and available credit facilities. The company repurchased a total of $120.0 million and $110.0 million of common stock in 1999 and 1998, respectively.

The company has available under its principal bank credit agreement a $160.0 million revolving credit facility and a $30.0 million credit facility, the latter solely for the issuance of letters of credit, both of which expire in September 2002. Additionally, the company has uncommitted short-term bank lines of credit that at January 29, 2000 totaled $45.0 million. At year-end 1999, 1998 and 1997, there were no outstanding balances under any credit facility. For additional information relating to these obligations, refer to Note B of Notes to Consolidated Financial Statements.

Working capital was $190.7 million at the end of 1999, compared to $170.8 million at the end of 1998 and $174.7 million at the end of 1997. At year-end 1999, 1998 and 1997, the company's current ratios were 1.5:1, 1.4:1 and 1.5:1, respectively.

The company's primary source of liquidity is the sale of its merchandise inventory. Management regularly reviews the age and condition of the merchandise and is able to maintain current inventory in its stores through the replenishment processes and liquidation of non-current merchandise through markdowns and clearances.

In 1999, cash flows decreased primarily due to a lower accounts payable balance as a percentage of inventory. In 1998, cash flows increased mainly due to a higher accounts payable balance as a percentage of inventory at year-end. The company had no amounts outstanding on its line of credit at year-end 1999 or 1998.

The company estimates that cash flows from operations, bank credit lines and trade credit are adequate to meet operating cash needs as well as to provide for the two-year stock repurchase program of up to $300.0 million during 2000 and 2001, dividend payments and planned capital additions during the upcoming year.

New Accounting Pronouncements

In June 1998 and June 1999, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities" and Statement of Financial Accounting Standards No. 137 (SFAS 137), "Deferral of the Effective Date of SFAS 133," respectively. SFAS 133 and SFAS 137 require the recognition of all derivatives as either assets or liabilities in the statement of financial position, and to measure those instruments at fair value, and are effective for all fiscal years beginning after June 15, 2000 with earlier adoption encouraged. The company does not believe that implementation of SFAS 133 and 137 will have a material impact on its financial position and results of operations.

Forward-Looking Statements and Factors Affecting Future Performance

This report includes a number of forward-looking statements, which reflect the company's current beliefs and estimates with respect to future events and the company's future financial performance, operations and competitive strengths. The words "expect," "anticipate," "estimate," "believe," "looking ahead," "forecast," "plan" and similar expressions identify forward-looking statements.

The company's continued success depends, in part, upon its ability to increase sales at existing locations, to open new stores and to operate stores on a profitable basis. There can be no assurance that the company's existing strategies and store expansion program will result in a continuation of revenue and profit growth. Future economic and industry trends that could potentially impact revenue and profitability remain difficult to predict.

As a result, the forward-looking statements that are contained herein are subject to certain risks and uncertainties that could cause the company's actual results to differ materially from historical results or current expectations. These factors include, without limitation, ongoing competitive pressures in the apparel industry, obtaining acceptable store locations, the company's ability to continue to purchase attractive name-brand merchandise at desirable discounts, successful implementation of the company's merchandise diversification strategy, the company's ability to successfully extend its geographic reach, unseasonable weather trends, changes in the level of consumer spending on or preferences in apparel or home-related merchandise, the company's ability to complete the two-year $300.0 million repurchase program in fiscal 2000 and 2001 at purchase prices that result in accretion to earnings per share in line with planned expectations, and greater than planned costs, including higher settlement costs than anticipated in the company's preliminary understanding to resolve a class action complaint alleging store managers and assistant managers in California are incorrectly classified as exempt from state overtime laws. In addition, the company's corporate headquarters, one of its distribution centers and 42% of its stores are located in California. Therefore, a downturn in the California economy or a major natural disaster there could significantly affect the company's operating results and financial condition.

In addition to the above factors, the apparel industry is highly seasonal. The combined sales of the company for the third and fourth (holiday) fiscal quarters are historically higher than the combined sales for the first two fiscal quarters. The company has realized a significant portion of its profits in each fiscal year during the fourth quarter. If intensified price competition, lower than anticipated consumer demand or other factors were to occur during the third and fourth quarters, and in particular during the fourth quarter, the company's fiscal year results could be adversely affected.

Quantitative and Qualitative Disclosures About Market Risk

Management believes that the market risk associated with the company's ownership of market-risk sensitive financial instruments (including interest rate risk and equity price risk) as of January 29, 2000 is not material.

Consolidated Balance Sheets

($000, except shares and per share data)	January 29, 2000	January 30, 1999
Assets		
Current Assets		
Cash and cash equivalents	$ 79,329	$ 80,083
Accounts receivable	15,689	11,566
Merchandise inventory	500,494	466,460
Prepaid expenses and other	17,682	15,825
Total Current Assets	613,194	573,934
Property and Equipment		
Land and buildings	49,919	48,789
Fixtures and equipment	262,022	217,629
Leasehold improvements	161,571	142,716
Construction-in-progress	26,040	32,023
	499,552	441,157
Less accumulated depreciation and amortization	226,388	192,445
	273,164	248,712
Deferred income taxes and other long-term assets	61,320	47,660
Total Assets	$ 947,678	$ 870,306
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 254,293	$ 248,103
Accrued expenses and other	102,178	95,059
Accrued payroll and benefits	48,283	40,885
Income taxes payable	17,716	19,092
Total Current Liabilities	422,470	403,139
Long-term liabilities	51,777	42,464
Stockholders' Equity		
Common stock, par value $.01 per share		
Authorized 170,000,000 shares		
Issued and outstanding 88,774,000 and 92,499,000 shares	888	925
Additional paid-in capital	234,635	215,368
Retained earnings	237,908	208,410
	473,431	424,703
Total Liabilities and Stockholders' Equity	$ 947,678	$ 870,306

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Earnings

($000, except per share data)	Year Ended January 29, 2000	Year Ended January 30, 1999	Year Ended January 31, 1998
Sales	$ 2,468,638	$ 2,182,361	$ 1,988,692
Costs and Expenses			
Cost of goods sold and occupancy	1,702,342	1,513,889	1,388,098
General, selling and administrative	472,822	415,284	374,119
Depreciation and amortization	38,317	33,514	30,951
Interest (income) expense	(322)	259	(265)
Provision for litigation expense	9,000		
	2,222,159	1,962,946	1,792,903
Earnings before taxes	246,479	219,415	195,789
Provision for taxes on earnings	96,373	85,572	78,315
Net earnings	$ 150,106	$ 133,843	$ 117,474
Earnings Per Share			
Basic	$ 1.66	$ 1.42	$ 1.20
Diluted	$ 1.64	$ 1.40	$ 1.17
Weighted Average Shares Outstanding (000)			
Basic	90,416	94,071	97,856
Diluted	91,671	95,700	100,003

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Stockholders' Equity

	Common Stock		Additional	Retained	
(000, except share data)	Shares	Amount	Paid-In Capital	Earnings	Total
Balance at February 1, 1997	98,666	$ 987	$163,672	$ 164,184	$ 328,843
Common stock issued under stock plans, including tax benefit	3,167	31	41,703		41,734
Common stock repurchased	(6,000)	(60)	(10,292)	(87,794)	(98,146)
Net earnings				117,474	117,474
Dividends declared				(9,224)	(9,224)
Balance at January 31, 1998	95,833	958	195,083	184,640	380,681
Common stock issued under stock plans, including tax benefit	2,301	23	30,874		30,897
Common stock repurchased	(5,635)	(56)	(10,589)	(99,353)	(109,998)
Net earnings				133,843	133,843
Dividends declared				(10,720)	(10,720)
Balance at Janury 30, 1999	92,499	925	215,368	208,410	424,703
Common stock issued under stock plans, including tax benefit	1,711	17	30,690		30,707
Common stock repurchased	(5,436)	(54)	(11,423)	(108,523)	(120,000)
Net earnings				150,106	150,106
Dividends declared				(12,085)	(12,085)
Balance at January 29, 2000	88,774	$ 888	$234,635	$ 237,908	$ 473,431

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

($000)	Year Ended January 29, 2000	Year Ended January 30, 1999	Year Ended January 31, 1998
Cash Flows from Operating Activities			
Net earnings	$150,106	$ 133,843	$ 117,474
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	38,317	33,514	30,951
Other amortization	9,870	9,734	8,527
Deferred income taxes	(5,296)	(4,411)	(1,732)
Change in assets and liabilities:			
Merchandise inventory	(34,034)	(47,635)	(45,135)
Other current assets – net	(5,979)	(4,161)	(2,110)
Accounts payable	5,867	45,735	17,481
Other current liabilities – net	21,609	31,101	(10,379)
Other	2,906	2,780	2,685
Net cash provided by operating activities	183,366	200,500	117,762
Cash Flows from Investing Activities			
Additions to property and equipment	(74,012)	(78,452)	(33,322)
Net cash used in investing activities	(74,012)	(78,452)	(33,322)
Cash Flows from Financing Activities			
Repayment of long-term debt	0	0	0
Issuance of common stock related to stock plans	21,654	22,014	34,106
Repurchase of common stock	(120,000)	(109,998)	(98,146)
Dividends paid	(11,762)	(10,350)	(8,808)
Net cash used in financing activities	(110,108)	(98,334)	(72,848)
Net (decrease) increase in cash and cash equivalents	(754)	23,714	11,592
Cash and cash equivalents:			
Beginning of year	80,083	56,369	44,777
End of year	$ 79,329	$ 80,083	$ 56,369
Supplemental Cash Flow Disclosures			
Interest paid	$ 610	$ 1,082	$ 537
Income taxes paid	$ 94,101	$ 62,779	$ 85,529

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

The fiscal years ended January 29, 2000, January 30, 1999 and January 31, 1998 are referred to as 1999, 1998 and 1997, respectively.

Note A: Summary of Significant Accounting Policies

Business. The company is an off-price retailer of first quality, branded apparel, shoes and accessories for the entire family, as well as gift items, linens and other home-related merchandise. At January 29, 2000, the company operated 378 stores. The company's headquarters, one distribution center, three warehouses and 42% of its stores are located in California.

Principles of Consolidation. The consolidated financial statements include the accounts of all subsidiaries. Intercompany transactions and accounts have been eliminated. Certain reclassifications have been made in the 1998 and 1997 financial statements to conform to the 1999 presentation.

Use of Accounting Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents. Cash equivalents are highly liquid, fixed income instruments purchased with a maturity of three months or less.

Revenue Recognition. The company recognizes revenue at the point of sale, net of actual returns, and maintains a provision for estimated future returns.

Merchandise Inventory. Merchandise inventory is stated at the lower of weighted average cost or market.

Store Pre-Opening. Store pre-opening costs are expensed in the period incurred.

Advertising. Advertising costs are expensed in the period incurred.

Deferred Rent. Many of the company's leases signed since 1988 contain fixed escalations of the minimum annual lease payments during the original term of the lease. For these leases, the company recognizes rental expense on a straight-line basis and records the difference between the average rental amount charged to expense and the amount payable under the lease as deferred rent. At the end of 1999 and 1998, the balance of deferred rent was $12.2 million and $11.1 million, respectively, and is included in long-term liabilities.

Property and Equipment. Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful life of the asset, typically ranging from five to 12 years for equipment and 20 to 40 years for real property. The cost of leasehold improvements is amortized over the useful life of the asset or the applicable lease term, whichever is less. Computer hardware and software costs are included in fixtures and equipment and are amortized over their estimated useful life of five years.

Intangible Assets. Included in other long-term assets are lease rights and interests, consisting of payments made to acquire store leases, which are amortized over the remaining applicable life of the lease. Also included in other long-term assets is the excess of cost over the acquired net assets, which is amortized on a straight-line basis over a period of 40 years.

Impairment of Long-Lived Assets. Long-lived assets and certain identifiable intangibles, including goodwill, held and used by the company, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Based on the company's review as of January 29, 2000 and January 30, 1999, no adjustments were recognized to the carrying value of such assets.

Estimated Fair Value of Financial Instruments. The carrying value of cash and cash equivalents, accounts receivable, accounts payable and long-term debt approximates their estimated fair value.

Effects of Inflation and Other Changes in Prices. The effects of inflation and other changes in prices are not material to the company's financial position and results of operations.

Stock-Based Compensation. The company accounts for stock-based awards to employees using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees."

Taxes on Earnings. Income taxes are accounted for under an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the company's financial statements or tax returns. In estimating future tax consequences, the company generally considers all expected future events other than changes in the tax law or rates.

Stock Dividend. All share and per share information has been adjusted to reflect the effect of the company's two-for-one stock splits effected in the form of 100% stock dividends paid on September 22, 1999 and March 5, 1997.

Earnings Per Share (EPS). Basic EPS excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if options to issue common stock were exercised into common stock. There were no other securities that could potentially dilute basic EPS in the future that were excluded from the calculation of diluted EPS because their effect would have been antidilutive in the periods presented.

The following is a reconciliation of the number of shares (denominator) used in the basic and diluted EPS computations (shares in thousands):

	Basic EPS	Effect of Dilutive Stock Options	Diluted EPS
1999			
Shares	90,416	1,255	91,671
Amount	$1.66	$(.02)	$1.64
1998			
Shares	94,071	1,629	95,700
Amount	$1.42	$(.02)	$1.40
1997			
Shares	97,856	2,147	100,003
Amount	$1.20	$(.03)	$1.17

Segment Reporting. The company accounts for its operations as one operating segment. The company's operations include only activities related to the sale of apparel and home accessories through similar stores throughout the United States and therefore comprise only one segment.

Derivative Instruments and Hedging Activities. In June 1998 and June 1999, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities" and Statement of Financial Accounting Standards No. 137 (SFAS 137), "Deferral of the Effective Date of SFAS 133," respectively. SFAS 133 and SFAS 137 require the recognition of all derivatives as either assets or liabilities in the statement of financial position, and to measure those instruments at fair value, and are effective for all fiscal years beginning after June 15, 2000 with earlier adoption encouraged. The company does not believe that implemetation of SFAS 133 and SFAS 137 will have a material impact on its financial position and results of operations.

Note B: Long-Term Debt

The company had no outstanding debt at year-end 1999 and 1998. The weighted average interest rates on borrowings during 1999, 1998 and 1997 were 5.5%, 5.8% and 5.8%, respectively.

Bank Credit Facilities. The company has available under its principal credit agreement a $160.0 million revolving credit facility and a $30.0 million credit facility, the latter solely for the issuance of letters of credit, both of which expire in September 2002. Interest is payable upon borrowing maturity but no less than quarterly. At year-end 1999 and 1998, the company had $20.3 million and $15.6 million, respectively, in outstanding letters of credit. Borrowing under the credit facilities is subject to the company's maintaining certain interest rate coverage and leverage ratios. As of January 29, 2000, the company was in compliance with these bank covenants.

In addition, the company has $45.0 million in uncommitted short-term bank lines of credit. When utilized, interest is payable monthly.

Included in accounts payable are checks outstanding of approximately $40.2 million and $44.1 million at year-end 1999 and 1998, respectively. The company can utilize its revolving line of credit to cover payment of these checks as they clear the bank; however, no balances were outstanding under the revolving credit line at year-end 1999 and 1998. The company's cash balances, net of the checks outstanding at year-end 1999 and 1998, were $39.1 million and $36.0 million, respectively.

Note C: Leases

In June 1998, the company purchased its Newark, California, distribution center and corporate headquarters for $24.6 million with funding provided by cash generated by operations and bank borrowings under the company's existing credit agreement. The company also leases five separate warehouses in both Newark, California and Carlisle, Pennsylvania, with operating leases expiring in various years through 2003. These five leased facilities are being used primarily to store packaway merchandise. In addition, the company leases its store sites, selected computer and related equipment, and certain distribution center equipment under operating leases with original, noncancelable terms that in general range from three to fifteen years, expiring through 2015. Store leases typically contain provisions for three to four renewal options of five years each. Most store leases also provide for minimum annual rentals, with provisions for additional rent based on percentage of sales and for payment of certain expenses.

The aggregate future minimum annual lease payments under leases in effect at year-end 1999 are as follows:

($000)	Amounts
2000	$ 128,073
2001	122,523
2002	108,503
2003	96,201
2004	83,124
Later years	303,190
Total	$ 841,614

Total rent expense for all operating leases is as follows:

($000)	1999	1998	1997
Minimum rentals	$118,089	$ 106,696	$ 100,109

Note D: Taxes on Earnings

The provision for taxes consists of the following:

($000)	1999	1998	1997
Current			
Federal	$ 85,952	$ 75,847	$ 65,754
State	15,717	14,136	14,294
	101,669	89,983	80,048
Deferred			
Federal	(5,081)	(4,107)	(1,693)
State	(215)	(304)	(40)
	(5,296)	(4,411)	(1,733)
Total	$ 96,373	$ 85,572	$ 78,315

In 1999, 1998 and 1997, the company realized tax benefits of $9.2 million, $10.9 million and $14.1 million, respectively, related to stock options exercised and the vesting of restricted stock that were credited to additional paid-in capital.

The provision for taxes for financial reporting purposes is different from the tax provision computed by applying the statutory federal income tax rate. The differences are reconciled as follows:

	1999	1998	1997
Federal income taxes at the statutory rate	35%	35%	35%
Increased income taxes resulting from state income taxes (net of federal benefit) and other, net	4%	4%	5%
	39%	39%	40%

The components of the net deferred tax assets at year-end are as follows:

($000)	1999	1998
Deferred Tax Assets		
Deferred compensation	$ 20,362	$ 15,765
Non-deductible reserves	6,840	3,895
Straight-line rent	4,989	4,519
Employee benefits	4,782	6,610
California franchise taxes	3,367	2,657
Reserve for uninsured losses	553	2,049
All other	1,145	135
	42,038	35,630
Deferred Tax Liabilities		
Depreciation	(18,938)	(18,210)
Inventory	(4,304)	(4,297)
Supplies	(2,006)	(1,849)
Prepaid expenses	(614)	(1,377)
All other	(1,174)	(191)
	(27,036)	(25,924)
Net Deferred Tax Assets	$ 15,002	$ 9,706

Note E: Employee Benefit Plans

The company has available to certain employees a profit sharing retirement plan. Under the plan, employee and company contributions and accumulated plan earnings qualify for favorable tax treatment under Section 401(k) of the Internal Revenue Code. This plan permits employees to make contributions up to the maximum limits allowable under the Internal Revenue Code. The company matches up to 3% of the employee's salary up to plan limits. Company contributions to the retirement plan were $2.4 million, $2.1 million and $1.8 million, in 1999, 1998 and 1997, respectively. The company has in place an Incentive Compensation Plan, which provides cash awards to key management employees based on the company's and the individual's performance. The company offers a Supplemental Retirement Plan, which allows eligible employees to purchase annuity contracts. The company also makes available to

management a Nonqualified Deferred Compensation Plan which allows management to make payroll contributions on a pre-tax basis in addition to the 401(k) Plan. This plan does not qualify under Section 401(k) of the Internal Revenue Code. Other long-term assets and other long-term liabilities include $37.0 million and $26.3 million in 1999 and 1998, respectively, related to the Nonqualified Deferred Compensation Plan.

Note F: Stockholders' Equity

Preferred Stock. The company has four million shares of preferred stock authorized, with a par value of $.01 per share. No preferred stock has been issued or outstanding during the past three years.

Common Stock. The company's Board of Directors has approved repurchase programs over the past several years that resulted in the buyback of 5.4 million shares at an average price of $22.07 in 1999, 5.6 million shares at an average price of $19.52 in 1998 and 6.0 million shares at an average price of $16.36 in 1997. In January 2000, the company's Board of Directors approved a new stock repurchase program authorizing the buyback of up to $300.0 million of the company's common stock over the next two years.

Dividends. The company's Board of Directors declared dividends of $.0375 per common share in January 2000; $.0325 per common share in January, May, August and November 1999; and $.0275 per common share in January, May, August and November 1998.

Stock-Based Compensation Plans. At January 29, 2000, the company had four stock-based compensation plans, which are described below. Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation," establishes a fair value method of accounting for stock options and other equity instruments. Had compensation cost for these stock option and stock purchase plans been determined based on the fair value at the grant dates for awards under those plans consistent with the methods of SFAS 123, the company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

($000, except per share data)	1999	1998	1997
Net income			
As reported	$150,106	$133,843	$117,474
Pro forma	$142,800	$128,820	$114,109
Basic earnings per share			
As reported	$ 1.66	$ 1.42	$ 1.20
Pro forma	$ 1.58	$ 1.37	$ 1.17
Diluted earnings per share			
As reported	$ 1.64	$ 1.40	$ 1.17
Pro forma	$ 1.57	$ 1.36	$ 1.15

The impact of outstanding non-vested stock options granted prior to 1995 has been excluded from the pro forma calculation; accordingly, the 1999, 1998 and 1997 pro forma adjustments are not indicative of future period pro forma adjustments, when the calculation will apply to all applicable stock options.

1992 Stock Option Plan. The company's 1992 Stock Option Plan allows for the granting of incentive and non-qualified stock options. Stock options are to be granted at prices not less than the fair market value of the common shares on the date the option is granted, expire ten years from the date of grant and normally vest over a period not exceeding four years from the date of grant. Options under the plan are exercisable upon grant, subject to the company's conditional right to repurchase unvested shares.

Outside Directors Stock Option Plan. The company's Outside Directors Stock Option Plan provides for the automatic grant of stock options at pre-established times and for fixed numbers of shares to each non-employee director. Stock options are to be granted at exercise prices not less than the fair market value of the common shares on the date the option is granted, expire ten years from the date of grant and normally vest over a period not exceeding three years from the date of the grant.

A summary of the activity under the company's two option plans for 1999, 1998 and 1997 is presented below:

	Number of Shares (000)	Weighted Average Exercise Price
Outstanding and exercisable at		
February 1, 1997	6,466	$ 4.95
Granted	2,050	$ 13.32
Exercised	(2,310)	$ 4.50
Forfeited	(497)	$ 5.52
Outstanding and exercisable at		
January 31, 1998	5,709	$ 8.09
Granted	2,254	$ 19.68
Exercised	(1,400)	$ 6.26
Forfeited	(307)	$ 12.35
Outstanding and exercisable at		
January 30, 1999	6,256	$ 12.46
Granted	1,574	$ 21.80
Exercised	(1,162)	$ 8.43
Forfeited	(253)	$ 16.59
Outstanding and exercisable at		
January 29, 2000	6,415	$ 15.32

At year-end 1999, 1998 and 1997, there were 4.4 million, 5.7 million and 3.1 million shares, respectively, available for future issuance under these plans.

The weighted average fair values per share of options granted during 1999, 1998 and 1997 were $7.85, $6.21 and $3.99, respectively. For determining pro forma earnings per share, the fair values for each option granted were estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions for 1999, 1998 and 1997, respectively: (i) dividend yield of 0.7%, 0.6% and 0.6%; (ii) expected volatility of 46.1%, 45.8% and 43.0%; (iii) risk-free interest rate of 5.9%, 5.2% and 6.2%; and (iv) expected life of 3.2 years, 3.3 years and 3.3 years. The company's calculations are based on a multiple option approach, and forfeitures are recognized as they occur.

The following table summarizes information about stock options outstanding and exercisable at January 29, 2000:

Range of Exercise Prices	Number of Shares (000)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
$2.13 to $6.78	1,418	4.42	$ 4.64
$6.81 to $12.94	1,266	7.05	$ 12.43
$13.09 to $20.97	1,031	8.65	$ 17.12
$21.00 to $21.00	1,160	8.14	$ 21.00
$21.06 to $21.66	1,105	9.12	$ 21.60
$21.66 to $25.56	435	9.07	$ 23.13
Totals	6,415	7.42	$ 15.32

Employee Stock Purchase Plan. Under the Employee Stock Purchase Plan, eligible full-time employees can choose to have up to 10% of their annual base earnings withheld to purchase the company's common stock. The purchase price of the stock is 85% of the lower of the beginning of the offering period or end of the offering period market price. During 1999, 1998 and 1997, employees purchased approximately 171,000, 149,000 and 171,000 shares, respectively, of the company's common stock under the plan at weighted average per-share prices of $15.25, $15.44 and $10.90, respectively. Through January 29, 2000, approximately 3,367,000 shares had been issued under this plan and 633,000 shares remained available for future issuance.

The weighted average fair values of the 1999, 1998 and 1997 awards were $6.49, $6.27 and $4.10 per share, respectively. For determining pro forma earnings per share, the fair value of the employees' purchase rights was estimated using the Black-Scholes option pricing model using the following assumptions for 1999, 1998 and 1997, respectively: (i) dividend yield of 0.6%, 0.6% and 0.6%; (ii) expected volatility of 44.7%, 49.3% and 43.1%; (iii) risk-free interest rate of 5.6%, 5.0% and 5.6%; and (iv) expected life of 1.0 year, 1.0 year and 1.0 year.

Restricted Stock Plan. The company's Restricted Stock Plan provides for stock awards to officers and certain key employees. All awards under the plan entitle the participant to full dividend and voting rights. Unvested shares are restricted as to disposition and subject to forfeiture under certain circumstances. The market value of these shares at date of grant is amortized to expense ratably over the vesting period of generally two to five years. At year-end 1999, 1998 and 1997, the unamortized compensation expense was $14.4 million, $15.3 million and $9.4 million, respectively. A summary of restricted stock award activity follows:

Restricted Stock Plan (000)	1999	1998	1997
Shares available for grant			
beginning of year	4,297	5,059	5,744
Restricted shares granted	(403)	(814)	(781)
Restricted shares forfeited	27	52	96
Shares available for grant			
end of year	3,921	4,297	5,059
Weighted average market			
value per share on			
grant date	$21.34	$ 19.28	$ 13.28

Note G: Provision for Litigation Expense and Other Legal Proceedings

The company has reached a preliminary understanding to resolve a class action complaint alleging store managers and assistant managers in California are incorrectly classified as exempt from state overtime laws. As a result, the company recorded a non-recurring pre-tax charge of $9.0 million in 1999 relating to this matter. When terms are completed, the company expects to execute a settlement agreement, without any admission of wrongdoing, which will be subject to judicial approval.

The company is party to various other legal proceedings arising from normal business activities. In the opinion of management, resolution of these matters will not have a material adverse effect on the company's financial condition or results of operations.

Note H: Quarterly Financial Data (Unaudited)

($000, except per share data)	13 Weeks Ended May 1, 1999	13 Weeks Ended July 31, 1999	13 Weeks Ended October 30, 1999	13 Weeks Ended January 29, 2000	52 Weeks Ended January 29, 2000
Sales	$ 580,825	$ 614,576	$ 608,720	$ 694,517	$ 2,468,638
Net earnings[1]	34,163	38,636	34,615	42,692	150,106
Net earnings per diluted share[1,2]	.36	.42	.38	.48	1.64
Dividends declared per share on common stock[2]		.0325	.0325	.07[3]	.135
Closing stock price[2,4]					
High	$ 23.91	$ 26.00	$ 24.00	$ 21.00	$ 26.00
Low	$ 20.16	$ 22.09	$ 18.59	$ 12.25	$ 12.25

($000, except per share data)	13 Weeks Ended May 2, 1998	13 Weeks Ended August 1, 1998	13 Weeks Ended October 31, 1998	13 Weeks Ended January 30, 1999	52 Weeks Ended January 30, 1999
Sales	$ 484,276	$ 536,975	$ 531,139	$ 629,971	$ 2,182,361
Net earnings	27,850	32,409	28,005	45,579	133,843
Net earnings per diluted share[2]	.29	.33	.29	.49	1.40
Dividends declared per share on common stock[2]		.0275	.0275	.06[5]	.115
Closing stock price[2,4]					
High	$ 24.16	$ 24.84	$ 22.00	$ 20.34	$ 24.84
Low	$ 16.78	$ 20.19	$ 12.22	$ 15.94	$ 12.22

[1] Fiscal 1999 includes a non-recurring pre-tax charge of $9.0 million, or $.06 per share, related to litigation. See Note G of Notes to Consolidated Financial Statements.
[2] All per share information is adjusted to reflect the effect of the two-for-one stock split effected in the form of a stock dividend paid on September 22, 1999.
[3] Includes $.0325 per share dividend declared November 1999 and $.0375 per share dividend declared January 2000.
[4] Ross Stores, Inc. common stock trades on the Nasdaq National Market tier of The Nasdaq Stock Market[SM] under the symbol ROST.
[5] Includes $.0275 per share dividend declared November 1998 and $.0325 per share dividend declared January 1999.

Independent Auditors' Report

Board of Directors and Stockholders
Ross Stores, Inc.
Newark, California

We have audited the accompanying consolidated balance sheets of Ross Stores, Inc. and subsidiaries (the "Company") as of January 29, 2000 and January 30, 1999, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended January 29, 2000. 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 auditing standards generally accepted in the United States of America. 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, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of January 29, 2000 and January 30, 1999, and the results of its operations and its cash flows for each of the three years in the period ended January 29, 2000 in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

San Francisco, California
March 10, 2000

Directors and Officers

Board of Directors

Norman A. Ferber
Chairman of the Board
Ross Stores, Inc.

Michael Balmuth
Vice Chairman and
Chief Executive Officer
Ross Stores, Inc.

Stuart G. Moldaw
Chairman and Chief Executive Officer
The Gymboree Corporation

Lawrence M. Higby
President and Chief Operating Officer
Apria Healthcare Group, Inc. [1, 3]

George P. Orban
Chairman of the Board
Egghead.com, Inc. [2, 3]

Philip Schlein
Venture Partner
U. S. Venture Partners [2, 3]

Donald H. Seiler
Founding Partner
Seiler and Company [1, 3]

Donna L. Weaver
Chairman
Weaver, Field & London, Inc. [1, 3]

[1] Audit Committee
[2] Compensation Committee
[3] Nominating Committee

Executive Officers

Michael Balmuth
Vice Chairman and
Chief Executive Officer

John G. Call
Senior Vice President,
Chief Financial Officer and
Corporate Secretary

Ivy D. Council
Senior Vice President,
Human Resources

James S. Fassio
Senior Vice President,
Property Development,
Construction and Store Design

Barry S. Gluck
Senior Vice President and
General Merchandising Manager

Michael Hamilton
Senior Vice President,
Store Operations

Irene A. Jamieson
Senior Vice President and
General Merchandising Manager

Megan S. Jamieson
Senior Vice President,
Strategic Planning

Barbara Levy
Senior Vice President and
General Merchandising Manager

Michael Wilson
Senior Vice President,
Distribution and Transportation

Vice Presidents

Willis Archer
Regional Manager

Douglas Baker
Divisional Merchandise Manager

Jay Blankenbaker
Divisional Merchandise Manager

Lynn Caples-Albuck
Divisional Merchandise Manager

Anthony DiElsi
Divisional Merchandise Manager

Susan de Lutio
Divisional Merchandise Manager

Stephen Ertz
Divisional Merchandise Manager

Keith Goodman
Group Divisional Merchandise Manager

Mark Gunn
Human Resources

William E. Inman
Regional Manager

Janet Kanios
Marketing

Gary Kaufman
Divisional Merchandise Manager

Mike Keenan
Loss Prevention

Leon Kinkow
Divisional Merchandise Manager

Elissa Kraemer-Siegel
Group Divisional Merchandise Manager

Brian Kugelman
Divisional Merchandise Manager

Charles R. Kurth
Corporate Controller

Carl Matteo
Divisional Merchandise Manager

Gregg M. McGillis
Real Estate

Gary McGraw
Regional Manager

Barbara McIntee
Store Planning and Allocation

Abe Minde
Divisional Merchandise Manager

Ralph Nemeth
Regional Manager

Meg Newhouse-Sealove
Divisional Merchandise Manager

Joyce Pearson
Group Divisional Merchandise Manager

Steve Reed
Regional Manager

Barbara Rentler
Group Divisional Merchandise Manager

Jane Rice
Management Information Systems

Arthur Roth
Merchandise Control

Lucy Sabetta
Human Resources

Kim C. Sprague
Divisional Merchandise Manager

Emanuel Steren
Divisional Merchandise Manager

Karen Sykes-Dick
Divisional Merchandise Manager

Joan Weinberg
Divisional Merchandise Manager

Caryn White
Divisional Merchandise Manager

Hal L. White
Divisional Merchandise Manager

Jennifer Williams-Simel
Divisional Merchandise Manager

Corporate Data

Corporate Website:

www.rossstores.com

Corporate Headquarters and West Coast Distribution Center

Ross Stores, Inc.
8333 Central Avenue
Newark, California 94560
(510) 505-4400

New York Buying Office

Ross Stores, Inc.
1372 Broadway, 10th Floor
New York, New York 10018
(212) 382-2700

Los Angeles Buying Office

Ross Stores, Inc.
110 East 9th Street, Suite B-913
Los Angeles, California 90079
(213) 623-2640

East Coast Distribution Center

1707 Shearer Drive
Carlisle, Pennsylvania 17013
(717) 249-3111

Annual Report (Form 10-K)

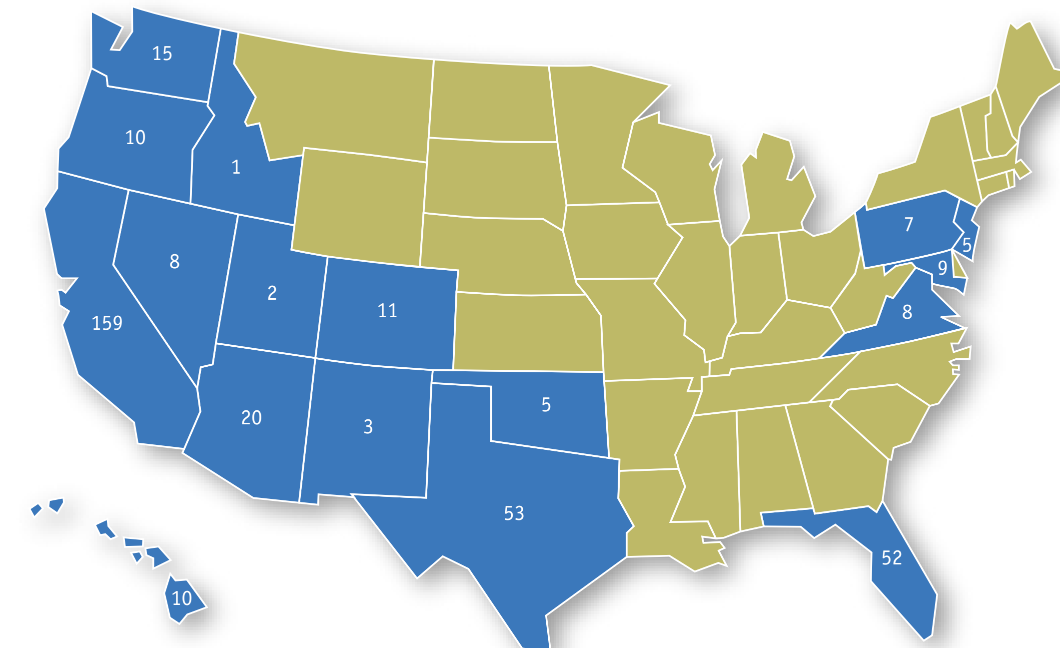
A copy of the company's 1999 Annual Report on Form 10-K as filed with the Securities and Exchange Commission is available, without charge, by contacting the following:

Investor Relations Department

Ross Stores, Inc.
8333 Central Avenue
Newark, CA 94560
(800) 989-8849

Transfer Agent and Registrar

ChaseMellon Shareholder Services LLC
Shareholder Relations Department
Overpeck Center, 85 Challenger Road
Ridgefield Park, NJ 07660
Communication Center: (800) 356-2017
Foreign Stockholders: (201) 329-8660
Website: www.chasemellon.com



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Store Locations
(at 1999 fiscal year-end)

Ross Stores, Inc., 8333 Central Avenue, Newark, California 94560 (510) 505-4400