# DOLLAR GENERAL CORP

## FORM 8-K
(Current report filing)

Filed 12/03/08 for the Period Ending 12/03/08

| | |
|---|---|
| Address | 100 MISSION RIDGE<br>GOODLETTSVILLE, TN, 37072 |
| Telephone | 6158554000 |
| CIK | 0000029534 |
| Symbol | DG |
| SIC Code | 5331 - Retail-Variety Stores |
| Industry | Discount Stores |
| Sector | Consumer Cyclicals |
| Fiscal Year | 02/02 |

**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# FORM 8-K

**CURRENT REPORT**
**Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): December 3, 2008

Dollar General Corporation
(Exact name of registrant as specified in its charter)

| Tennessee | 001-11421 | 61-0502302 |
|---|---|---|
| (State or other jurisdiction of incorporation) | (Commission File Number) | (I.R.S. Employer Identification No.) |

| 100 Mission Ridge Goodlettsville, Tennessee | 37072 |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

Registrant’s telephone number, including area code: (615) 855-4000

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION.**

On December 3, 2008, Dollar General Corporation (the "Company") issued a news release regarding results of operations and financial condition for the third quarter and 39-week period ended October 31, 2008. The news release is attached hereto as Exhibit 99.1.

**ITEM 7.01 REGULATION FD DISCLOSURE.**

The information set forth in Item 2.02 above is incorporated herein by reference. The news release also sets forth statements regarding the Company's outlook, information regarding the Company's planned conference call, and certain other matters.

In addition, on December 3, 2008 the Company issued a news release announcing that Chief Executive Officer Richard W. Dreiling has been appointed Chairman of the Board. The news release is attached hereto as Exhibit 99.2.

**ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.**

(a) Financial statements of businesses acquired. N/A

(b) Pro forma financial information. N/A

(c) Shell company transactions. N/A

(d) Exhibits. See Exhibit Index immediately following the signature page hereto.

## SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

| | |
|---|---|
| Date: December 3, 2008 | **DOLLAR GENERAL CORPORATION** |
| | By: /s/ Susan S. Lanigan |
| | Susan S. Lanigan |
| | Executive Vice President and General Counsel |

## EXHIBIT INDEX

| Exhibit No. | Description |
|---|---|
| 99.1 | News release dated December 3, 2008 regarding third quarter financial results. |
| 99.2 | News release dated December 3, 2008 regarding appointment of Richard W. Dreiling to Chairman of the Board. |

**Exhibit 99.1**

# Dollar General Corporation Reports Third Quarter 2008 Financial Results

## ~Third Quarter Same Store Sales Increased 10.6%~

## ~Gross Margin Expanded 175 Basis Points to 29.7%~

## ~SG&A as a Percentage of Sales Decreased 68 Basis Points~

## ~Net Loss for the Quarter Decreased by $25.7 Million~

## ~Adjusted EBITDA Increased 61% versus Year Ago Period~

GOODLETTSVILLE, Tenn.--(BUSINESS WIRE)--December 3, 2008--Dollar General Corporation today announced financial results for the third quarter and 39 weeks ended October 31, 2008.

Sales for the quarter increased 12.4 percent to $2.60 billion compared to $2.31 billion in the third quarter of fiscal 2007. Same store sales increased 10.6 percent with customer traffic and average transaction amount contributing to the sales increase.

The third quarter 2008 gross profit rate increased by 175 basis points from the prior year to 29.7 percent from 28.0 percent, driven by higher average markups, improvements in shrink, lower markdowns and improved distribution logistics efficiencies, which more than offset increased fuel costs and a LIFO charge of $15.7 million resulting from continued inflationary pressures.

Selling, general and administrative expense (“SG&A”) improved 68 basis points to 24.4 percent of sales in the 2008 third quarter from 25.1 percent in the 2007 third quarter. Excluding the impact of certain strategic and merger-related items as outlined in the attached schedule, SG&A as a percentage of sales decreased by 42 basis points, primarily attributable to lower workers compensation expense, lower waste management costs (resulting primarily from cardboard recycling efforts), lower depreciation expense and leverage on other occupancy costs (primarily rent), resulting from higher sales volumes. The impact of these improvements was partially offset by higher incentive compensation associated with the Company’s 2008 financial performance.

For the 2008 third quarter, the Company reported a net loss of $7.3 million, after recording pre-tax costs of $34.5 million related to the proposed settlement of the shareholder lawsuit that arose out of the merger with KKR, compared with a net loss of $33.0 million in the 2007 third quarter. Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization), as defined in the Company’s credit agreements and calculated in the attached schedule, was $228.6 million in the 2008 third quarter, an increase of $86.5 million, or 61 percent, from the 2007 third quarter.

For the 39-week year-to-date period, total sales increased 9.7 percent, including an 8.8 percent increase in same store sales. The gross profit rate increased 177 basis points to 29.2 percent and SG&A as a percentage of sales decreased 91 basis points to 24.1 percent. The Company reported net income of $26.3 million in the 2008 year-to-date period compared to a net loss of $68.2 million in the 2007 year-to-date combined Predecessor and Successor periods. Adjusted EBITDA, as defined in the Company's credit agreements and calculated in the attached schedule, was $637.0 million in the 2008 period, an increase of $206.8 million, or 48 percent, over the comparable 2007 period.

"We are very pleased to report strong results again for the third quarter, particularly given the difficult economic environment," said Rick Dreiling, Chairman and Chief Executive Officer. "We remain committed to improving our operations to better serve our customers, and are encouraged by their positive response to the changes we have been making in our stores. Importantly, our ability to provide quality products and great value in a conveniently located, customer-friendly, small-box environment continues to resonate well with consumers and enhance our overall performance."

**Merchandise Inventories and Accounts Payable**

As of October 31, 2008, total merchandise inventories, at cost, were $1.62 billion compared to $1.49 billion as of November 2, 2007, an increase of $134 million, or approximately nine percent in total and seven percent on a per store basis. Inventory levels were increased primarily to support higher sales volumes. Accounts payable increased by $168 million from the year ago period, more than offsetting the increase in inventories.

**Long-Term Obligations**

As of October 31, 2008, outstanding long-term obligations, including the current portion, were $4.18 billion, including $2.30 billion outstanding under a senior secured term loan facility. There were no borrowings under the Company's asset-based revolving credit facility. As of October 31, 2008, the ratio of long-term obligations to Adjusted EBITDA, as calculated on the attached schedule, decreased to 4.7 times from 7.1 times since the closing of the Merger transaction in July 2007.

**Company Outlook**

The Company remains cautiously optimistic about the holiday season and the remainder of fiscal 2008. The Company is pleased and encouraged by its sales results on Thanksgiving and "Black Friday."

Based on current visibility and business trends, the Company remains committed to productive sales growth, expense management and gross margin expansion for 2008. Dollar General continues to expect capital expenditures for the year to be approximately $200 million to $220 million, primarily related to improvements in existing stores as well as the opening of new stores and the remodel and relocation of existing stores.

**Basis of Accounting**

The Company was acquired on July 6, 2007 through a merger accounted for as a reverse acquisition (the "Merger"). Although the Company continued as the same legal entity after the Merger, the accompanying financial statements are presented as Predecessor for periods preceding the Merger and as Successor for periods subsequent to the Merger. The Successor reflects the result of the Company applying purchase accounting and a new basis of accounting beginning on July 7, 2007, which affects the comparability of amounts before and after the Merger.

The attached tables include combined results, as indicated, which represent the mathematical combination of the Successor and Predecessor in each of the periods presented. For comparison purposes, the discussions of operations, cash flows, EBITDA and Adjusted EBITDA are generally based on the combined amounts. The Company believes this comparison provides a more meaningful understanding of the underlying business. The combined results have not been prepared as pro forma results and may not reflect the actual results the Company would have achieved absent the Merger and may not be indicative of future results of operations.

**Non-GAAP Disclosure**

Certain information provided in this press release or to be discussed during the conference call has not been derived in accordance with generally accepted accounting principles ("GAAP"), including EBITDA and Adjusted EBITDA. Reconciliations to net income of EBITDA and Adjusted EBITDA, in addition to calculations of the improvement in SG&A excluding certain strategic and merger-related items and of the ratio of long-term obligations to Adjusted EBITDA are provided in the accompanying tables.

EBITDA and Adjusted EBITDA are not measures of financial performance or condition, liquidity or profitability, and should not be considered as an alternative to net income, operating income, cash flows from operations or any other performance measures determined in accordance with GAAP. Additionally, EBITDA and Adjusted EBITDA are not intended to be measures of free cash flow for management's discretionary use, as they do not consider certain cash requirements such as interest payments, tax payments, debt service requirements and replacement of fixed assets. EBITDA and Adjusted EBITDA have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Company's financial results as reported under GAAP. Because not all companies use identical calculations, these presentations may not be comparable to other similarly titled measures of other companies.

The Company believes that the presentation of EBITDA and Adjusted EBITDA is appropriate to provide additional information about the calculation of a material financial ratio in the Company's credit facilities. Adjusted EBITDA is a material component of that ratio. Management from time to time uses EBITDA and Adjusted EBITDA, as well as other measures, as additional financial metrics to supplement net income and cash flow in its evaluation of the Company's financial results, including with respect to incentive compensation. For more discussion regarding the financial ratio in the Company's credit facilities, the reasons management believes these non-GAAP measures are useful to investors, and the limitations of these non-GAAP measures, please see the Company's Annual Report on Form 10-K filed with the SEC on March 28, 2008.

**Conference Call Information**

The Company will hold a conference call on Wednesday, December 3, 2008 at 9:00 a.m. CST/10:00 a.m. EST, hosted by Rick Dreiling, Chairman and Chief Executive Officer, and David Tehle, Chief Financial Officer. If you wish to participate, please call (866) 710-0179 at least 10 minutes before the conference call is scheduled to begin. The pass code for the conference call is "Dollar General." The call will also be broadcast live online at www.dollargeneral.com under "Investor Information, Conference Calls and Investor Events." A replay of the conference call will be available through Wednesday, December 17, 2008, and will be accessible online or by calling (334) 323-7226. The pass code for the replay is 88183619.

**Forward-Looking Statements**

This press release contains forward-looking information, such as the information in the section entitled "Company Outlook." The words "believe," "anticipate," "project," "plan," "schedule," "expect," "estimate," "objective," "forecast," "goal," "intend," "committed," "will likely result," or "will continue" and similar expressions generally identify forward-looking statements. These matters involve risks, uncertainties and other factors that may cause the actual performance of the Company to differ materially from that expressed or implied by these forward-looking statements. All forward-looking information should be evaluated in the context of these risks, uncertainties and other factors. Factors that may result in actual results differing from such forward-looking information include, but are not limited to, those set forth in the Company's Annual Report on Form 10-K filed with the SEC on March 28, 2008, its Quarterly Report on Form 10-Q for the quarter ended October 31, 2008 and other factors set forth in this press release.

Forward-looking statements speak only as of the date made. The Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances arising after the date on which they were made. As a result of these risks and uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements included herein or that may be made elsewhere from time to time by, or on behalf of, the Company.

**About Dollar General Corporation**

Dollar General is the largest discount retailer in the United States by number of stores with more than 8,300 neighborhood stores located in 35 states. Dollar General helps shoppers Save Time. Save Money. Every Day.® by offering quality private label and national branded items that are frequently used and replenished such as food, snacks, health and beauty aids, cleaning supplies, basic apparel, house wares and seasonal items at everyday low prices in convenient neighborhood stores. Dollar General is among the largest retailers of top-quality products made by America's most trusted manufacturers such as Procter & Gamble, Kimberly Clark, Unilever, Kellogg's, General Mills, Nabisco, and Fruit of the Loom. The Company store support center is located in Goodlettsville, Tennessee. Dollar General's Web site can be reached at www.dollargeneral.com .

**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**
**Consolidated Balance Sheets**
**(In thousands)**

| | October 31, 2008 (Unaudited) | November 2, 2007 (Unaudited) | February 1, 2008 (a) |
|---|---|---|---|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 150,590 | $ 90,538 | $ 100,209 |
| Short-term investments | - | 25,336 | 19,611 |
| Merchandise inventories | 1,619,922 | 1,486,094 | 1,288,661 |
| Income taxes receivable | 42,986 | 87,208 | 32,501 |
| Deferred income taxes | - | 30,126 | 17,297 |
| Prepaid expenses and other current assets | 72,799 | 67,929 | 59,465 |
| Total current assets | 1,886,297 | 1,787,231 | 1,517,744 |
| Property and equipment, at cost | 1,543,256 | 1,315,100 | 1,389,563 |
| Less: accumulated depreciation and amortization | 254,408 | 71,102 | 115,318 |
| Net property and equipment | 1,288,848 | 1,243,998 | 1,274,245 |
| Goodwill | 4,337,152 | 4,364,841 | 4,344,930 |
| Intangible assets, net | 1,336,774 | 1,382,626 | 1,370,557 |
| Other assets, net | 91,030 | 153,039 | 148,955 |
| Total assets | $ 8,940,101 | $ 8,931,735 | $ 8,656,431 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current portion of long-term obligations | $ 8,455 | $ 7,023 | $ 3,246 |
| Accounts payable | 720,126 | 551,786 | 551,040 |
| Accrued expenses and other | 439,583 | 402,637 | 300,956 |
| Income taxes payable | 1,824 | 911 | 2,999 |
| Deferred income taxes | 22,669 | - | - |
| Total current liabilities | 1,192,657 | 962,357 | 858,241 |
| Long-term obligations | 4,172,467 | 4,502,788 | 4,278,756 |
| Deferred income taxes | 542,260 | 506,210 | 486,725 |
| Other liabilities | 256,103 | 265,376 | 319,714 |
| Total liabilities | 6,163,487 | 6,236,731 | 5,943,436 |
| Redeemable common stock | 13,150 | 9,539 | 9,122 |
| Shareholders' equity: | | | |
| Preferred stock | - | - | - |
| Common stock | 277,938 | 277,304 | 277,741 |
| Additional paid-in capital | 2,487,071 | 2,479,821 | 2,480,062 |
| Retained earnings (accumulated deficit) | 21,510 | (60,207) | (4,818) |
| Accumulated other comprehensive loss | (23,055) | (11,453) | (49,112) |
| Total shareholders' equity | 2,763,464 | 2,685,465 | 2,703,873 |
| Total liabilities and shareholders' equity | $ 8,940,101 | $ 8,931,735 | $ 8,656,431 |

(a) Derived from audited financial statements as of February 1, 2008.

**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**
**Consolidated Statements of Operations**
**(In thousands)**
**(Unaudited)**

| | 13 Weeks Ended October 31, 2008 | 13 Weeks Ended November 2, 2007 |
|---|---|---|
| Net sales | $ 2,598,938 | $ 2,312,842 |
| *% of net sales* | *100.00 %* | *100.00 %* |
| Cost of goods sold | 1,826,651 | 1,666,042 |
| *% of net sales* | *70.28 %* | *72.03 %* |
| Gross profit | 772,287 | 646,800 |
| *% of net sales* | *29.72 %* | *27.97 %* |
| Selling, general and administrative | 634,055 | 580,163 |
| *% of net sales* | *24.40 %* | *25.08 %* |
| Litigation settlement and related costs | 34,500 | - |
| *% of net sales* | *1.33 %* | *0.00 %* |
| Transaction and related costs | - | 934 |
| *% of net sales* | - | *0.04 %* |
| Operating profit | 103,732 | 65,703 |
| *% of net sales* | *3.99 %* | *2.84 %* |
| Interest income | (619) | (1,388) |
| Interest expense | 98,393 | 111,957 |
| Other (income) expense | 266 | 6,784 |
| Income (loss) before income taxes | 5,692 | (51,650) |
| Income tax expense (benefit) | 12,998 | (18,618) |
| Net loss | $ (7,306) | $ (33,032) |
| *% of net sales* | *(0.28 )%* | *(1.43 )%* |

**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**
**Consolidated Statements of Operations**
**(In thousands)**
**(Unaudited)**

| | Successor | | Predecessor | Combined |
|---|---|---|---|---|
| | 39 Weeks Ended October 31, 2008 | July 7, 2007 through November 2, 2007 (a) | February 3, 2007 through July 6, 2007 | 39 Weeks Ended November 2, 2007 |
| Net sales | $ 7,611,820 | $ 3,011,920 | $ 3,923,753 | $ 6,935,673 |
| *% of net sales* | *100.00 %* | | | *100.00 %* |
| Cost of goods sold | 5,388,421 | 2,180,397 | 2,852,178 | 5,032,575 |
| *% of net sales* | *70.79 %* | | | *72.56 %* |
| Gross profit | 2,223,399 | 831,523 | 1,071,575 | 1,903,098 |
| *% of net sales* | *29.21 %* | | | *27.44 %* |
| Selling, general and administrative | 1,831,241 | 770,603 | 960,930 | 1,731,533 |
| *% of net sales* | *24.06 %* | | | *24.97 %* |
| Litigation settlement and related costs | 34,500 | - | - | - |
| *% of net sales* | *0.45 %* | | | - |
| Transaction and related costs | - | 1,242 | 101,397 | 102,639 |
| *% of net sales* | - | | | *1.48 %* |
| Operating profit | 357,658 | 59,678 | 9,248 | 68,926 |
| *% of net sales* | *4.70 %* | | | *0.99 %* |
| Interest income | (2,793) | (2,421) | (5,046) | (7,467) |
| Interest expense | 298,698 | 148,477 | 10,299 | 158,776 |
| Other (income) expense | 856 | 8,232 | - | 8,232 |
| Income (loss) before income taxes | 60,897 | (94,610) | 3,995 | (90,615) |
| Income tax expense (benefit) | 34,569 | (34,403) | 11,993 | (22,410) |
| Net income (loss) | $ 26,328 | $ (60,207) | $ (7,998) | $ (68,205) |
| *% of net sales* | *0.35 %* | | | *(0.98 )%* |

(a) Includes the results of operations of Buck Acquisition Corp. for the period from March 6, 2007 (its formation) through July 6, 2007, prior to its merger with and into Dollar General Corporation (reflecting the change in fair value of interest rate swaps), and the post-merger results of Dollar General Corporation for the period from July 7, 2007 through November 2, 2007.

**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**
**Consolidated Statements of Cash Flows**
**(In thousands)**
**(Unaudited)**

| | Successor | | Predecessor | Combined |
|---|---|---|---|---|
| | 39 Weeks Ended October 31, 2008 | July 7, 2007 through November 2, 2007 (a) | February 3, 2007 through July 6, 2007 | 39 Weeks Ended November 2, 2007 |
| Cash flows from operating activities: | | | | |
| Net income (loss) | $ 26,328 | $ (60,207) | $ (7,998) | $ (68,205) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 184,155 | 90,907 | 83,917 | 174,824 |
| Deferred income taxes | 30,057 | 6,554 | (20,874) | (14,320) |
| Noncash share-based compensation | 7,206 | 3,147 | 45,433 | 48,580 |
| Tax benefit from stock option exercises | (576) | - | (3,927) | (3,927) |
| Noncash inventory adjustments and asset impairments | 35,587 | - | - | - |
| Noncash unrealized loss on interest rate swap | 4 | 3,705 | - | 3,705 |
| Change in operating assets and liabilities: | | | | - |
| Merchandise inventories | (364,697) | (107,874) | 16,424 | (91,450) |
| Prepaid expenses and other current assets | (7,218) | (4,725) | (6,184) | (10,909) |
| Accounts payable | 169,276 | (35,400) | 34,794 | (606) |
| Accrued expenses and other liabilities | 192,983 | 123,787 | 52,995 | 176,782 |
| Income taxes | (24,606) | (51,667) | 2,809 | (48,858) |
| Other | 12,643 | (2,055) | 4,557 | 2,502 |
| Net cash provided by (used in) operating activities | 261,142 | (33,828) | 201,946 | 168,118 |
| Cash flows from investing activities: | | | | |
| Merger, net of cash acquired | - | (6,738,170) | - | (6,738,170) |
| Purchases of property and equipment | (159,709) | (44,706) | (56,153) | (100,859) |
| Purchases of short-term investments | (9,903) | (1,000) | (5,100) | (6,100) |
| Sales of short-term investments | 61,547 | 10,920 | 9,505 | 20,425 |
| Purchases of long-term investments | - | (5,612) | (15,754) | (21,366) |
| Purchase of promissory notes | - | (37,047) | - | (37,047) |
| Proceeds from sale of property and equipment | 971 | 352 | 620 | 972 |
| Net cash used in investing activities | (107,094) | (6,815,263) | (66,882) | (6,882,145) |
| Cash flows from financing activities: | | | | |
| Issuance of common stock | 2,268 | 2,759,540 | - | 2,759,540 |
| Issuance of long-term obligations | - | 4,176,817 | - | 4,176,817 |
| Borrowings under revolving credit facilities | - | 1,233,700 | - | 1,233,700 |
| Repayments of borrowings under revolving credit facilities | (102,500) | (931,700) | - | (931,700) |
| Repayments of long-term obligations | (3,223) | (211,757) | (4,500) | (216,257) |
| Debt issuance costs | - | (86,847) | - | (86,847) |
| Payment of cash dividends | - | - | (15,710) | (15,710) |
| Proceeds from exercise of stock options | - | - | 41,546 | 41,546 |
| Repurchases of common stock | (788) | (124) | - | (124) |
| Tax benefit of stock options | 576 | - | 3,927 | 3,927 |
| Net cash provided by (used in) financing activities | (103,667) | 6,939,629 | 25,263 | 6,964,892 |
| Net increase in cash and cash equivalents | 50,381 | 90,538 | 160,327 | 250,865 |
| Cash balance at Merger date | - | - | - | (349,615) |
| Cash and cash equivalents, beginning of period | 100,209 | - | 189,288 | 189,288 |
| Cash and cash equivalents, end of period | $ 150,590 | $ 90,538 | $ 349,615 | $ 90,538 |
| Supplemental cash flow information: | | | | |
| Cash paid for interest | $ 231,193 | $ 65,619 | $ 11,246 | $ 76,865 |
| Cash paid for income taxes, including interest, net | $ 1,131 | $ 248 | $ 26,014 | $ 26,262 |

(a) Includes the results of operations of Buck Acquisition Corp. for the period from March 6, 2007 (its formation) through July 6, 2007, prior to its merger with and into Dollar General Corporation (reflecting the change in fair value of interest rate swaps), and the post-merger results of Dollar General Corporation for the period from July 7, 2007 through November 2, 2007.

**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**
**Reconciliation of Non-GAAP Financial Measures**
**Reconciliation of Net Income to EBITDA and Adjusted EBITDA**
**(In millions)**
**(Unaudited)**

| | 13 Weeks Ended | | 39 Weeks Ended | |
|---|---|---|---|---|
| | October 31, 2008 | November 2, 2007 | October 31, 2008 | Combined November 2, 2007 |
| Net income (loss) | $ (7.3) | $ (33.0) | $ 26.3 | $ (68.2) |
| Add (subtract): | | | | |
| Interest income | (0.6) | (1.4) | (2.8) | (7.5) |
| Interest expense | 98.4 | 112.0 | 298.7 | 158.8 |
| Depreciation and amortization | 58.9 | 62.1 | 174.6 | 170.0 |
| Income taxes | 13.0 | (18.6) | 34.5 | (22.4) |
| EBITDA | 162.4 | 121.1 | 531.3 | 230.7 |
| | | | | |
| Adjustments: | | | | |
| Transaction and related costs | - | 0.9 | - | 102.6 |
| Loss on debt retirements, net | - | - | - | 6.2 |
| Loss on interest rate swaps | 0.3 | 6.8 | 0.9 | 2.1 |
| Contingent loss on distribution center leases | - | 3.4 | - | 12.0 |
| Impact of markdowns related to inventory clearance activities, net of purchase accounting adjustments | - | (1.0) | - | 4.1 |
| SG&A related to store closing and inventory clearance activities | - | 6.9 | - | 53.8 |
| Operating losses (cash) of stores to be closed | - | - | - | 9.4 |
| Hurricane related expenses and write-offs, net | 2.0 | - | 2.0 | - |
| Monitoring and consulting fees to affiliates | 1.8 | 2.0 | 6.5 | 2.8 |
| Stock option and restricted stock unit expense | 2.7 | 2.0 | 7.2 | 5.8 |
| Indirect merger-related costs | 6.7 | - | 19.1 | - |
| Litigation settlement and related costs | 34.5 | - | 34.5 | - |
| Other noncash charges (primarily LIFO) | 18.2 | - | 35.5 | - |
| Other | - | - | - | 0.7 |
| Total Adjustments | 66.2 | 21.0 | 105.7 | 199.5 |
| Adjusted EBITDA | $ 228.6 | $ 142.1 | $ 637.0 | $ 430.2 |

| | 52 Weeks Ended | | | |
|---|---|---|---|---|
| | October 31, 2008 | Combined November 2, 2007 | Combined February 1, 2008 | May 4, 2007 |
| Net income (loss) | $ 81.7 | $ (18.1) | $ (12.8) | $ 123.9 |
| Add (subtract): | | | | |
| Interest income | (4.1) | (9.7) | (8.8) | (7.1) |
| Interest expense | 403.1 | 166.7 | 263.2 | 33.8 |
| Depreciation and amortization | 231.0 | 220.6 | 226.4 | 202.3 |
| Income taxes | 67.1 | 4.9 | 10.2 | 69.7 |
| EBITDA | 778.8 | 364.4 | 478.2 | 422.6 |
| | | | | |
| Adjustments: | | | | |
| Transaction and related costs | - | 102.6 | 102.6 | 5.6 |
| (Gain) loss on debt retirements, net | (5.0) | 6.2 | 1.2 | - |
| Loss on interest rate swaps | 1.2 | 2.1 | 2.4 | 2.1 |
| Contingent loss on distribution center leases | - | 12.0 | 12.0 | - |
| Impact of markdowns related to inventory clearance activities, net of purchase accounting adjustments | (4.5) | 91.4 | (0.4) | 153.9 |
| SG&A related to store closing and inventory clearance activities | 0.2 | 78.2 | 54.0 | 62.4 |
| Operating losses (cash) of stores to be closed | 1.1 | 15.5 | 10.5 | 17.2 |
| Hurricane related expenses and write-offs, net | 2.0 | - | - | (7.0) |
| Monitoring and consulting fees to affiliates | 8.5 | 2.8 | 4.8 | - |
| Stock option and restricted stock unit expense | 7.9 | 5.8 | 6.5 | - |
| Indirect merger-related costs | 23.7 | - | 4.6 | - |
| Litigation settlement and related costs | 34.5 | - | - | - |
| Other noncash charges (primarily LIFO) | 41.6 | - | 6.1 | - |
| Other | 0.3 | 1.7 | 1.0 | 1.7 |
| Total Adjustments | 111.5 | 318.3 | 205.3 | 235.9 |
| Adjusted EBITDA | $ 890.3 | $ 682.7 | $ 683.5 | $ 658.5 |

**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**
**Reconciliation of Non-GAAP Measures**
**(Unaudited)**

**CALCULATION OF RATIO OF LONG-TERM OBLIGATIONS TO ADJUSTED EBITDA**

| ($ in millions) | October 31, 2008 | February 1, 2008 | At Merger Date July 6, 2007 | |
|---|---|---|---|---|
| Long-Term Obligations | $ 4,180.9 | $ 4,282.0 | $ 4,677.6 | |
| 52-week Adjusted EBITDA | $ 890.3 | $ 683.5 | $ 658.5 | (a) |
| Ratio | 4.7 x | 6.3 x | 7.1 x | |

(a) Calculation at Merger date is based on Adjusted EBITDA for the 52-week period ended May 4, 2007, the latest reported period.

**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**
**Reconciliation of Non-GAAP Financial Measures**
**Adjusted SG&A Improvement**
**(Dollars in millions)**
**(Unaudited)**

| | 13 Weeks Ended October 31, 2008 | | 13 Weeks Ended November 2, 2007 | | Basis Points |
|---|---|---|---|---|---|
| | $ | % | $ | % | Difference |
| Net sales | $ 2,598.9 | | $ 2,312.8 | | |
| Selling, general and administrative | 634.1 | *24.40 %* | 580.2 | *25.08 %* | 68 |
| Less non-comparable expenses: | | | | | |
| Amortization of leasehold intangibles | 10.0 | *0.38 %* | 10.0 | *0.43 %* | 5 |
| Monitoring, consulting and other merger-related expenses | 7.2 | *0.28 %* | 2.0 | *0.09 %* | (19) |
| Project Alpha store closings | - | - | 7.0 | *0.30 %* | 30 |
| Contingent loss on distribution center leases | - | - | 3.4 | *0.15 %* | 15 |
| Severance | 1.3 | *0.05 %* | - | - | (5) |
| Total Adjustments | $ 18.5 | | $ 22.4 | | 26 |
| Adjusted SG&A improvement (basis points) | | | | | 42 |

| | Successor 39 Weeks Ended October 31, 2008 | | Combined 39 Weeks Ended November 2, 2007 | | Basis Points |
|---|---|---|---|---|---|
| | $ | % | $ | % | Difference |
| Net sales | $ 7,611.8 | | $ 6,935.7 | | |
| Selling, general and administrative | 1,831.2 | *24.06 %* | 1,731.5 | *24.97 %* | 91 |
| Less non-comparable expenses: | | | | | |
| Amortization of leasehold intangibles | 30.4 | *0.40 %* | 13.4 | *0.19 %* | (21) |
| Monitoring, consulting and other merger-related expenses | 17.3 | *0.23 %* | 3.5 | *0.05 %* | (18) |
| Project Alpha store closings | - | - | 54.3 | *0.78 %* | 78 |
| Contingent loss on distribution center leases | - | - | 12.0 | *0.17 %* | 17 |
| Severance | 8.3 | *0.11 %* | - | - | (11) |
| Total Adjustments | $ 56.0 | | $ 83.2 | | 45 |
| Adjusted SG&A improvement (basis points) | | | | | 46 |

**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**
**Selected Additional Information**
**(Unaudited)**

**Sales by Category (in thousands)**

| | 13 Weeks Ended | | |
|---|---|---|---|
| | October 31, 2008 | November 2, 2007 | % Change |
| Highly consumable | $ 1,864,015 | $ 1,598,836 | 16.6% |
| Seasonal | 320,706 | 311,394 | 3.0% |
| Home products | 206,780 | 203,276 | 1.7% |
| Basic clothing | 207,437 | 199,336 | 4.1% |
| Net sales | **$ 2,598,938** | **$ 2,312,842** | **12.4%** |

| | 39 Weeks Ended | | |
|---|---|---|---|
| | October 31, 2008 | November 2, 2007 | % Change |
| Highly consumable | $ 5,340,925 | $ 4,701,353 | 13.6% |
| Seasonal | 1,027,352 | 1,013,400 | 1.4% |
| Home products | 630,815 | 626,152 | 0.7% |
| Basic clothing | 612,728 | 594,768 | 3.0% |
| Net sales | **$ 7,611,820** | **$ 6,935,673** | **9.7%** |

**Store Activity**

| | 39 Weeks Ended | |
|---|---|---|
| | October 31, 2008 | November 2, 2007 |
| Beginning store count | 8,194 | 8,229 |
| New store openings | 175 | 323 |
| Store closings | (23) | (348) |
| Net new (closed) stores | 152 | (25) |
| Ending store count | 8,346 | 8,204 |
| Total selling square footage (000's) | 58,637 | 57,399 |

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**Exhibit 99.2**

# Dollar General Corporation Announces Chief Executive Officer Richard W. Dreiling Has Been Appointed Chairman of the Board

GOODLETTSVILLE, Tenn.--(BUSINESS WIRE)--December 3, 2008--Dollar General Corporation announced today that the Board of Directors has appointed Richard W. Dreiling to Chairman of the Board, effective immediately. Mr. Dreiling will continue his role as Chief Executive Officer, a position he assumed in January 2008.

“We are delighted to announce the appointment of Rick Dreiling as Chairman of the Board of Dollar General,” stated Mike Calbert, head of the retail industry team at KKR, which acquired Dollar General in July 2007, and a member of Dollar General’s Board of Directors. “During the past year, Rick has exceeded our expectations as Chief Executive of Dollar General. He has done a tremendous job implementing new and effective operating strategies, unifying employees across the entire organization, and improving operating results. We are confident in Rick’s ability to drive the Company forward and are pleased that he has agreed to take on this additional responsibility. We look forward to continued success and industry-leading results under his leadership.”

Mr. Dreiling added, "I am very proud to be a part of this exciting period in Dollar General’s history and am honored to be Chairman of this great company. Our success thus far is a result of the efforts of the executive management team and the entire Dollar General organization. I look forward to continuing to work with such a great team to bolster Dollar General’s position as one of the nation’s leading discount retailers.”

**About Dollar General Corporation**

Dollar General is the largest discount retailer in the United States by number of stores with more than 8,300 neighborhood stores located in 35 states. Dollar General helps shoppers Save Time. Save Money. Every Day.® by offering quality private label and national branded items that are frequently used and replenished such as food, snacks, health and beauty aids, cleaning supplies, basic apparel, house wares and seasonal items at everyday low prices in convenient neighborhood stores. Dollar General is among the largest retailers of top-quality products made by America’s most trusted manufacturers such as Procter & Gamble, Kimberly Clark, Unilever, Kellogg’s, General Mills, Nabisco, and Fruit of the Loom. The Company store support center is located in Goodlettsville, Tennessee. Dollar General’s Web site can be reached at www.dollargeneral.com .

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