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DOLLAR GENERAL CORP

FORM 8-K
(Current report filing)

Filed 11/22/05 for the Period Ending 11/22/05

Address	100 MISSION RIDGE 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

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DOLLAR GENERAL CORP

FORM 8-K
(Unscheduled Material Events)

Filed 11/22/2005 For Period Ending 11/22/2005

Address	100 MISSION RIDGE
	GOODLETTSVILLE, Tennessee 37072
Telephone	615-855-4000
CIK	0000029534
Industry	Retail (Specialty)
Sector	Services
Fiscal Year	01/31

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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): November 22, 2005

Dollar General Corporation

(Exact Name of Registrant as Specified in 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 November 22, 2005, Dollar General Corporation (the "Company") issued a news release regarding results of operations and financial condition for the third quarter ended October 28, 2005. The news release is attached hereto as Exhibit 99 and incorporated by reference as if fully set forth herein.

ITEM 7.01. REGULATION FD DISCLOSURE

The information set forth in Item 2.02 above is incorporated herein by reference. The press release also sets forth information regarding the planned conference call and webcast to discuss third quarter results, the financial outlook for the fiscal 2005 fourth quarter and full year, anticipated 2005 and 2006 new store openings, and other matters.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

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

(b) Pro forma financial information. N/A

(c) 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: November 22, 2005 DOLLAR GENERAL CORPORATION

By: /s/ Susan S. Lanigan

Susan S. Lanigan
Executive Vice President
and General Counsel

EXHIBIT INDEX

Exhibit No.	Description
99	News release dated November 22, 2005.

Exhibit 99

Dollar General Reports Third Quarter 2005 EPS of $0.20; Comments on 2005 Outlook and 2006 Store Opening Plans

GOODLETTSVILLE, Tenn.--(BUSINESS WIRE)--Nov. 22, 2005--Dollar General Corporation (NYSE: DG) today reported net income for the third quarter of fiscal 2005 of $64.4 million, or $0.20 per share, compared to net income of $71.1 million, or $0.22 per share, in the third quarter of fiscal 2004. In 2005, the Company increased the number of departments utilized for its retail inventory method gross profit calculation from 10 to 23 (the "RIM expansion"). The impact in the third quarter of the RIM expansion was a decrease in income before income taxes of approximately $10.8 million and a decrease in earnings per share ("EPS") of $0.02.

Net sales for the third quarter ended October 28, 2005, were $2.1 billion, a 9.5 percent increase over net sales of $1.9 billion for the same period of fiscal 2004. The increase was a result of opening new stores and a same-store sales increase of 1.4 percent.

As a percentage of sales, gross profit for the fiscal 2005 third quarter declined to 28.1 percent from 29.5 percent for the comparable period in fiscal 2004. The decrease in the gross profit rate is primarily attributable to: 1) lower sales, as a percentage of total sales, in the Company's seasonal, home products and basic clothing categories, which have higher than average mark-ups; 2) increased markdowns as a result of the Company's initiative to reduce per-store inventory; 3) higher distribution and transportation expenses primarily attributable to increased fuel costs; and 4) the impact of the RIM expansion discussed above. These factors were partially offset by higher average mark-ups in the 2005 period as compared with the 2004 period.

Selling, general and administrative expenses ("SG&A") improved to 23.2 percent of sales for the third quarter of fiscal 2005 versus 23.4 percent of sales during the comparable prior year quarter. The decrease is attributable to: 1) lower employee incentive compensation expense based upon the Company's year-to-date fiscal 2005 financial performance; and 2) a reduction in professional fees primarily due to the reduction of consulting fees in the 2005 period associated with the EZstore project and with the Company's Sarbanes-Oxley compliance efforts. The Company also continued to leverage store labor as a percentage of sales in the quarter. These items were partially offset by increased store occupancy and utilities costs. In addition, during the prior year period the Company incurred certain expenses that did not recur in the current year period including increased sales and use tax accruals and a charge related to the expiration of a lease for, and subsequent purchase of, the Company's airplane.

During the fiscal 2005 third quarter, Hurricanes Katrina, Rita and Wilma impacted the Company in the form of store closings prior to and during the hurricanes' landfalls, as well as after the storms due to power outages and damages sustained. The most significant storm-related Company losses were related to merchandise inventories, furniture and fixtures, which were primarily offset by insurance proceeds. The Company anticipates recording additional insurance proceeds upon receipt, including amounts to offset losses related to business interruption. The Company cannot currently predict the amount or timing of the additional insurance proceeds or whether any additional proceeds will be received in the fourth quarter of 2005. The net impact of the hurricanes was not material to the Company's financial position, liquidity, or results of operations in the third quarter.

The effective income tax rate for the third quarter of 2005 was 34.2 percent compared to 33.9 percent in the comparable prior year period. The rate for the 2005 period is lower than the Company's estimated annual effective rate of approximately 36.0 percent primarily due to favorable reductions in certain contingent income tax-related liabilities. The tax rate in the 2004 period was favorably impacted by the October 2004 retroactive reinstatement of certain federal jobs credits and a favorable adjustment to the Company's 2003 income tax liability upon the filing of its 2003 tax return in October 2004.

For the 39-week year-to-date period, net income was $204.9 million in fiscal 2005, or $0.63 per share, compared to $210.3 million, or $0.63 per share, in the comparable prior year period. The impact of the RIM expansion for the 2005 year-to-date period was to decrease income before income taxes by approximately $17.5 million and to decrease EPS by $0.03.

Year-to-date net sales increased 11.7 percent, resulting primarily from opening 564 net new stores since October 29, 2004, and a same-store sales increase of 3.4 percent.

As a percentage to sales, gross margin for the year-to-date period was 28.4 percent in 2005 compared to 29.3 percent in 2004. The decline in gross margin was due to a number of factors, including lower sales, as a percentage of total sales, in the Company's seasonal, home products and basic clothing categories, increased markdowns and higher transportation expenses, as well as the impact from the RIM expansion discussed above. These factors were partially offset by higher average mark-ups in the 2005 period.

SG&A expenses for the year-to-date period decreased as a percentage of sales to 23.0 percent in 2005 from 23.2 percent in 2004 due to a number of factors, including decreases, as a percentage of sales, in 1) store-related salaries, reflecting the Company's cost-containment efforts including the EZstore project; 2) health benefits resulting from decreased claims and a downward revision in claim lag assumptions based upon review and recommendation by the Company's outside actuary; and 3) a reduction in professional fees primarily due to the reduction of consulting fees in the 2005 period associated with the EZstore project and Sarbanes-Oxley compliance efforts. These items were partially offset by increased store occupancy and utilities costs.

The effective income tax rate for the 39-week 2005 period was 35.5 percent compared to 34.2 percent in the 39-week 2004 period. The 2005 rate is less than the Company's estimated annual effective tax rate of approximately 36.0 percent primarily due to the reduction in 2005 of certain income tax-related contingent liabilities. The 2004 rate was also impacted, to a greater extent, by a reduction in contingent income tax-related liabilities.

As of October 28, 2005, the Company operated 7,821 neighborhood stores, including 38 Dollar General Markets. For the 39-week period ended October 28, 2005, the Company opened 605 new stores and closed 104 stores, including 38 stores closed as a result of significant hurricane damage. Store openings are on track to meet or exceed the Company's target of 730 total new stores this fiscal year.

Year-to-date, the Company repurchased approximately 13.0 million shares of its common stock for $260.7 million. As of October 28, 2005, approximately 6.4 million shares remained available under the Company's current 10-million share repurchase authorization, which expires September 30, 2006. The Company intends to continue purchasing shares under this authorization in the fourth quarter.

Outlook for Fourth Quarter and Fiscal Year 2005

November same-store sales continue to be impacted by a combination of higher fuel prices and aggressive advertising and marketing by the Company's competitors. Same-store sales are currently estimated to be in the range of one to three percent for the fourth quarter. November is estimated to be below this range due to a relatively difficult comparison to last year and the fact that most of the Company's holiday initiatives should have a greater impact on December sales. The Company estimates that the stores closed as the result of hurricane damage represent lost potential sales of approximately $12 million in the fiscal 2005 fourth quarter.

The Company expects EPS for the 14-week fourth quarter to be in the range of $0.51 to $0.54. The fourth quarter EPS estimate includes a favorable impact of approximately $0.03 per share resulting from the RIM expansion. For the 53-week year ending February 3, 2006, the Company expects to report EPS of $1.14 to $1.17. Capital expenditures for the year are expected to be approximately $330 million to $350 million.

Comments Regarding Fiscal Year 2006

Dollar General today also announced that, in fiscal 2006, the Company expects to open a minimum of 800 new traditional Dollar General stores and approximately 30 Dollar General Markets, some of which will be conversions of traditional stores. The Company plans to issue earnings guidance for fiscal 2006 in its year-end earnings press release on March 21, 2006.

Conference Call

The Company will host a conference call on Tuesday, November 22, 2005, at 10 a.m. EST. The security code for the conference call is "Dollar General." If you wish to participate, please call (334) 260-2280 at least 10 minutes before the conference call is scheduled to begin. The call will also be broadcast live online at www.dollargeneral.com and can be accessed by clicking on the homepage "Spotlight Item." A replay of the conference call will be available until 5 p.m. EST on Tuesday, December 6, online or by calling (334) 323-7226. The replay pass code is 90054486.

Non-GAAP Disclosures

Return on invested capital ("ROIC"), included in the accompanying schedules to this release, may be considered a financial measure not defined by or calculated in accordance with generally accepted accounting principles ("GAAP"). Management believes that ROIC is useful because it provides investors with additional useful information for evaluating the efficiency of the Company's capital deployed in its operations. The Company has also provided a calculation of ROIC and return on assets, computed using net income, excluding a restatement-related penalty, a non-GAAP measure, which management believes more clearly reflects the ongoing operations of the Company. None of these non-GAAP measures should be considered a substitute for measures derived in accordance with GAAP. The Company has included its calculations of these non-GAAP measures and reconciliations to the most comparable GAAP financial measures in the accompanying schedules.

Forward-Looking Information

This press release contains forward-looking information, such as the information in the sections entitled "Outlook for Fourth Quarter and Fiscal Year 2005" and "Comments Regarding Fiscal Year 2006," as well as the Company's expectations regarding its future recording of additional insurance proceeds relating to Hurricanes Katrina, Rita, and Wilma, expected fiscal 2005 new store openings, intentions regarding fourth quarter share repurchases and comments regarding the Company's ongoing effective income tax rate. The words "believe," "anticipate," "project," "plan," "expect," "estimate," "objective," "forecast," "guidance," "goal," "intend," "will likely result," or "will continue" and similar expressions generally identify forward-looking statements. The Company believes the assumptions underlying these forward-looking statements are reasonable; however, any of the assumptions could be inaccurate, and therefore, actual results may differ materially from those projected in the forward-looking statements. Factors and risks that may result in actual results differing from such forward-looking information include, but are not limited to:

-- a deterioration in general economic conditions that may impact consumer spending or the Company's costs of doing business, such as unemployment levels, personal debt levels, business conditions, high fuel and energy costs, inflation, tax rates and interest rates;

-- changes in demand due to unexpected or unusual weather patterns, economic conditions or other factors;

-- adverse weather conditions, natural disasters or similar disruptions;

-- transportation and distribution delays or interruptions both domestically and internationally;

-- labor shortages in the trucking industry;

-- the Company's ability to negotiate effectively the cost and purchase of merchandise;

-- prolonged or repeated price increases of certain raw materials that could affect vendors' product costs;

-- inventory risks due to shifts in market demand;

-- unanticipated markdowns due to inventory imbalances or other reasons;

-- changes in product mix;

-- interruptions in suppliers' businesses;

-- the inability to execute operating initiatives;

-- costs and potential problems and interruptions associated with implementation of new or upgraded systems and technology or with maintenance or adequate support of existing systems;

-- higher than expected increases in health, workers' compensation, general liability, property or other insurance costs or unexpected jumps in the Company's loss rates;

-- seasonality of the Company's business such as a sales shortfall during the Christmas selling season;

-- unanticipated changes in the federal or state minimum wage or living wage requirements or changes in other wage or workplace regulations, as well as the Company's ability to timely comply with those regulations;

-- changes in federal, state or local regulations governing the sale of the Company's products, particularly "over-the-counter" medications or health products;

-- excessive costs and delays associated with building, opening and operating new stores;

-- excessive costs and delays associated with building, opening or achieving functionality of distribution centers;

-- competition in the retail industry;

-- existing or future U.S. military efforts or a significant act of terrorism on U.S. soil or elsewhere;

-- results of legal proceedings and claims;

-- the loss of key members of the Company's senior management team or certain other key employees, or an inability to attract, retain and motivate qualified employees to keep pace with the Company's expansion schedule; and

-- other risk factors described in the Company's Form 10-K for the fiscal year ended January 28, 2005, filed with the SEC on April 12, 2005, and most recent Form 10-Q, as well as elsewhere in this press release.

Readers are cautioned not to place undue reliance on forward-looking statements made in this press release, since the statements speak only as of the date of this release. The Company has no obligation, and does not intend, to publicly update or revise any of these forward-looking statements to reflect events or circumstances occurring after the date of this release or to reflect the occurrence of unanticipated events. Readers are advised, however, to consult any further disclosures the Company may make on related subjects in its documents filed with or furnished to the SEC or in its other public disclosures.

About Dollar General

Dollar General is a Fortune 500(R) discount retailer with 7,821 neighborhood stores as of October 28, 2005. Dollar General stores offer convenience and value to customers by offering consumable basic items that are frequently used and replenished, such as food, snacks, health and beauty aids and cleaning supplies, as well as a selection of basic apparel, housewares and seasonal items at everyday low prices. 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

(Dollars in thousands)

	October 28, 2005 (Unaudited)	January 28, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	$ 92,769	$ 232,830
Short-term investments	1,417	42,925
Merchandise inventories	1,574,567	1,376,537
Deferred income taxes	14,348	24,908
Prepaid expenses and other current assets	61,549	53,702

Total current assets	1,744,650	1,730,902
Property and equipment, at cost	2,139,087	1,940,335
Less: accumulated depreciation and amortization	983,806	859,497
Net property and equipment	1,155,281	1,080,838
Other assets, net	30,850	29,264
Total assets	$2,930,781	$2,841,004
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term obligations	$ 8,864	$ 12,860
Accounts payable	521,087	409,327
Accrued expenses and other	372,537	333,889
Income taxes payable	7,452	69,616
Total current liabilities	909,940	825,692
Long-term obligations	344,436	258,462
Deferred income taxes	62,118	72,385
Shareholders' equity:		
Preferred stock	-	-
Common stock	158,437	164,086
Additional paid-in capital	451,180	421,600
Retained earnings	1,011,019	1,102,457
Accumulated other comprehensive loss	(839)	(973)
	1,619,797	1,687,170
Other shareholders' equity	(5,510)	(2,705)
Total shareholders' equity	1,614,287	1,684,465
Total liabilities and shareholders' equity	$2,930,781	$2,841,004

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Income
(Dollars in thousands, except per share amounts)

(Unaudited)

	For the Quarter (13 Weeks) Ended			
	October 28, 2005	% of Net Sales	October 29, 2004	% of Net Sales
Net sales	$2,057,888	100.00%	$1,879,187	100.00%
Cost of goods sold	1,478,872	71.86	1,325,202	70.52
Gross profit	579,016	28.14	553,985	29.48
Selling, general and administrative	477,404	23.20	440,029	23.42
Operating profit	101,612	4.94	113,956	6.06
Interest income	(1,670)	-0.08	(1,324)	-0.07
Interest expense	5,321	0.26	7,688	0.41
Income before taxes on income	97,961	4.76	107,592	5.73
Provision for taxes on income	33,536	1.63	36,466	1.94
Net income	$ 64,425	3.13%	$ 71,126	3.78%
Basic earnings per share	$ 0.20		$ 0.22	
Weighted average basic shares (000s)	319,520		327,844	
Diluted earnings per				

share	$ 0.20	$ 0.22
Weighted average diluted shares (000s)	321,443	330,313
Dividends per share	$ 0.045	$ 0.040

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Income
(Dollars in thousands, except per share amounts)

(Unaudited)

	For the 39 Weeks Ended			
	October 28, 2005	% of Net Sales	October 29, 2004	% of Net Sales
Net sales	$6,101,733	100.00%	$5,463,389	100.00%
Cost of goods sold	4,367,838	71.58	3,860,174	70.66
Gross profit	1,733,895	28.42	1,603,215	29.34
Selling, general and administrative	1,404,292	23.01	1,266,583	23.18
Operating profit	329,603	5.40	336,632	6.16
Interest income	(6,442)	-0.11	(4,730)	-0.09
Interest expense	18,633	0.31	21,577	0.39
Income before taxes on income	317,412	5.20	319,785	5.85
Provision for taxes on income	112,529	1.84	109,488	2.00
Net income	$ 204,883	3.36%	$ 210,297	3.85%
Basic earnings per share	$ 0.63		$ 0.64	
Weighted average basic shares (000s)	323,855		329,917	
Diluted earnings per share	$ 0.63		$ 0.63	
Weighted average diluted shares (000s)	326,334		332,623	
Dividends per share	$ 0.130		$ 0.120	

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Dollars in thousands)

(Unaudited)

	39 Weeks Ended	
	October 28, 2005	October 29, 2004
Cash flows from operating activities:		
Net income	$ 204,883	$ 210,297
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	137,817	122,882
Deferred income taxes	293	27,132
Tax benefit from stock option exercises	4,009	5,615
Change in operating assets and liabilities:		
Merchandise inventories	(198,030)	(401,433)
Prepaid expenses and other current assets	(7,847)	(3,725)
Accounts payable	103,896	96,876

Accrued expenses and other	39,593	39,987
Income taxes payable	(62,245)	(24,082)
Other	12,348	(11,332)
Net cash provided by operating activities	234,717	62,217
Cash flows from investing activities:		
Purchases of property and equipment	(216,849)	(219,177)
Purchases of short-term investments	(30,250)	(152,425)
Sales of short-term investments	73,175	219,651
Proceeds from sales of property and equipment	1,085	154
Net cash used in investing activities	(172,839)	(151,797)
Cash flows from financing activities:		
Issuance of long-term borrowings	14,495	-
Borrowings under revolving credit facility	148,600	109,100
Repayments of borrowings under revolving credit facility	(73,600)	(44,600)
Repayments of long-term obligations	(10,832)	(12,311)
Payment of cash dividends	(41,999)	(39,564)
Proceeds from exercise of stock options	22,041	21,125
Repurchases of common stock	(260,707)	(198,362)
Other financing activities	63	(613)
Net cash used in financing activities	(201,939)	(165,225)
Net decrease in cash and cash equivalents	(140,061)	(254,805)
Cash and cash equivalents, beginning of period	232,830	345,899
Cash and cash equivalents, end of period	$ 92,769	$ 91,094
Supplemental schedule of noncash investing and financing activities:		
Investments awaiting settlement, included in Accounts payable	$ 12,129	$ -
Purchases of property and equipment awaiting processing for payment, included in Accounts payable	$ 8,656	$ 4,817
Purchases of property and equipment under capital lease obligations	$ 3,283	$ 1,690

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
Selected Additional Information
(Unaudited)

	Net Sales by Category (in thousands)		
	13 Weeks Ended		
	October 28, 2005	October 29, 2004	% Change
Highly consumable	$1,405,413	$1,251,106	12.3%
Seasonal	269,695	258,835	4.2
Home products	211,609	203,227	4.1
Basic clothing	171,171	166,019	3.1
Total sales	$2,057,888	$1,879,187	9.5%

	Net Sales by Category (in thousands)		
	39 Weeks Ended		
	October 28, 2005	October 29, 2004	% Change
Highly consumable	$4,078,515	$3,532,824	15.4%
Seasonal	862,534	810,166	6.5
Home products	638,493	626,153	2.0
Basic clothing	522,191	494,246	5.7

Total sales	$6,101,733	$5,463,389	11.7%

New Store Activity

	39 Weeks Ended	
	October 28, 2005	October 29, 2004
Beginning store count	7,320	6,700
New store openings	605	639
Store closings	104	82
Net new stores	501	557
Ending store count	7,821	7,257
Total selling square footage (000's)	53,869	49,474

Customer Transaction Data

	13 Weeks Ended		39 Weeks Ended	
	October 28, 2005	October 29, 2004	October 28, 2005	October 29, 2004
Same-store customer transactions	-3.1%	+2.3%	-0.5%	+2.9%
Average customer purchase (total stores)	$ 8.96	$ 8.49	$ 8.84	$ 8.42

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

Non-GAAP Disclosures

Return on Invested Capital (a)

(Unaudited)

(Restated) (b)

	For the four quarters ended	
(In thousands)	October 28, 2005	October 29, 2004
Net income	$ 338,776	$ 311,128
Add:		
Interest expense, net	17,563	23,064
Rent expense	286,663	244,557
Tax effect of interest and rent	(110,637)	(96,104)
Interest and rent, net of tax	193,589	171,517
Return, net of tax	$ 532,365	$ 482,645
Restatement-related penalty expense	-	10,000
Return excluding restatement-related items	$ 532,365	$ 492,645
Average Invested Capital:		
Average long-term obligations (c)	$ 298,543	$ 291,405
Shareholders' equity (d)	1,645,881	1,514,384
Average rent x 8 (e)	2,124,880	1,815,336
Invested capital	$ 4,069,304	$ 3,621,125
Return on invested capital	13.1%	13.3%
Return on invested capital, excluding		

restatement-related items	13.1%	13.6%

(a) The Company believes that the most directly comparable ratio calculated solely using GAAP measures is the ratio of net income to the sum of average long-term obligations, including current portion, and average shareholders' equity. This ratio was 17.4% and 17.2% for the rolling four quarters ended October 28, 2005 and October 29, 2004, respectively.
(b) Net income, shareholders' equity and rent expense used in the above calculations have been restated using the accounting practices for leases described in the Company's press release dated March 3, 2005.
(c) Average long-term obligations is equal to the average long- term obligations, including current portion, measured at the end of each of the last five fiscal quarters.
(d) Average shareholders' equity is equal to the average shareholders' equity measured at the end of each of the last five fiscal quarters.
(e) Average rent expense is computed using a rolling two-year period. Average rent expense is multiplied by a factor of eight to capitalize operating leases in the determination of pretax invested capital. This is a conventional methodology utilized by credit rating agencies and investment bankers.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
Non-GAAP Disclosures
Return on Assets
(Unaudited)

(Restated) (a)

(In thousands)	For the four quarters ended October 28, 2005	For the four quarters ended October 29, 2004
Net income	$ 338,776	$ 311,128
Restatement-related items, net of tax	-	10,000
Net income, excluding restatement-related items	$ 338,776	$ 321,128
Average assets (b)	$ 2,862,623	$ 2,648,558
Return on assets	11.8%	11.7%
Return on assets, excluding restatement-related items	11.8%	12.1%

(a) Net income and average assets used in the above calculations have been restated using the accounting practices for leases described in the Company's press release dated March 3, 2005.
(b) Average assets is equal to the average total assets measured at the end of each of the last five fiscal quarters.

CONTACT: Dollar General Corporation
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or
Media Contact:

Tawn Earnest, 615-855-5209

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