



## Costco Wholesale Corporation Reports Second Quarter and Year-to-Date Operating Results for Fiscal 2003 and February Sales Results

March 5, 2003

ISSAQUAH, Wash., Mar 5, 2003 (BUSINESS WIRE) -- Costco Wholesale Corporation (Nasdaq: COST) announced today its operating results for the second quarter (12 weeks) and first half (24 weeks) of fiscal 2003, both ended February 16, 2003.

Net sales for the second quarter of fiscal 2003 increased 8% to \$9.92 billion from \$9.21 billion during the second quarter of fiscal 2002. Net income for the second quarter of fiscal 2003 decreased 5% to \$182.1 million, or \$.39 per diluted share, compared to \$192.6 million, or \$.41 per diluted share, during the second quarter of fiscal 2002.

Included in the second quarter fiscal 2003 operating results is a pre-tax charge of \$26 million (\$16 million, or \$.03 per share after tax) reflecting an increase in workers' compensation loss reserves, in response to both recent adverse development of prior years' loss costs and as a result of other developments indicating continuing trends of rising claims costs, most particularly in the State of California. According to Richard Galanti, CFO of Costco Wholesale, "While the costs of workers' compensation claims are on the rise everywhere, the trends in California have been most alarming. Whereas approximately one-third of Costco's U.S. employees work in California, and the incidence of injuries on the job in California is proportional to the size of our workforce, over two-thirds of the total costs associated with workers' compensation is incurred there. With recent legislative changes in California, effective January 1, 2003, we believe these rising trends will continue to impact us."

Net sales for the first half of fiscal 2003 increased 8% to \$18.93 billion from \$17.51 billion during the first half of fiscal 2002. Net income for the first half of fiscal 2003 increased 2% to \$327.8 million, or \$.70 per diluted share, compared to net income for the first half of fiscal 2002 of \$322.2 million, or \$.68 per diluted share.

In addition to reporting second quarter fiscal year 2003 operating results, the Company today reported net sales of \$3.06 billion for the 4-week retail reporting month of February, the four weeks ended March 2, 2003, an increase of 10% from \$2.77 billion in the same four-week period of the prior fiscal year.

For the 6-month retail reporting period of September through February, the twenty-six weeks ended March 2, 2003, which includes the first two weeks of the Company's fiscal third quarter, the Company reported net sales of \$20.45 billion, an increase of 8% from \$18.90 billion during the comparable period of the prior fiscal year.

Comparable sales for the 4-week retail-reporting month of February and the 26-week retail-reporting period of September through February are as follows:

	4 Weeks	26 Weeks
US	7%	3%
International	3%	5%
Total Company	6%	4%

Comparable sales for the fiscal second quarter (12 weeks) and fiscal first half (24 weeks) of fiscal 2003, both ended February 16, 2003, are as follows:

	12 Weeks	24 Weeks
US	3%	3%
International	5%	5%
Total Company	4%	4%

Costco currently operates 413 warehouses, including 305 in the United States, 61 in Canada, 15 in the United Kingdom, five in Korea, three in Taiwan, three in Japan and 21 in Mexico. The Company also operates Costco Online, an electronic commerce web site, at [www.costco.com](http://www.costco.com). The Company plans to open 7 to 9 additional new warehouses (including the relocation of one warehouse to a larger and better-located facility) prior to the end of its fiscal year ending August 31, 2003.

A conference call to discuss these second quarter results is scheduled for 8:00 a.m. (PST) today (March 5th), and is available via a webcast on [www.costco.com](http://www.costco.com) (go to Customer Service, Investor Relations, Financial Releases and click on the "Live Webcast" icon).

(dollars in thousands, except per share data)

(unaudited)

	12 Weeks Ended		24 Weeks Ended	
	February 16, 2003	February 17, 2002	February 16, 2003	February 17, 2002
REVENUE				
Net sales	\$ 9,920,324	\$9,208,413	\$18,930,895	\$17,505,489
Membership fees and other	193,843	174,439	381,857	343,916
Total revenue	10,114,167	9,382,852	19,312,752	17,849,405
OPERATING EXPENSES				
Merchandise costs	8,840,411	8,212,030	16,889,308	15,646,427
Selling, general and administrative	967,051	840,005	1,855,830	1,626,123
Preopening expenses	7,145	8,616	25,262	30,750
Provision for impaired assets and closing costs	4,500	3,000	9,500	11,550
Operating income	295,060	319,201	532,852	534,555
OTHER INCOME (EXPENSE)				
Interest expense	(8,003)	(6,199)	(16,471)	(12,437)
Interest income and other	8,983	7,926	16,617	14,903
INCOME BEFORE INCOME TAXES	296,040	320,928	532,998	537,021
Provision for income taxes	113,975	128,372	205,204	214,809
NET INCOME	\$ 182,065	\$ 192,556	\$ 327,794	\$ 322,212
NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE:				
Basic	\$ 0.40	\$ 0.43	\$ 0.72	\$ 0.71
Diluted	\$ 0.39	\$ 0.41	\$ 0.70	\$ 0.68
Shares used in calculation (000's)				
Basic	455,927	452,882	455,748	452,436
Diluted	478,564	479,931	478,742	478,749

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