



Costco Companies, Inc. Reports Third Quarter and Year-To-Date Operating Results for Fiscal 1999

May 27, 1999

Business Editors

ISSAQUAH, Wash.--(BUSINESS WIRE)--May 27, 1999--Costco Companies, Inc. (Nasdaq:COST) announced today its operating results for the third quarter (12 weeks) and first thirty-six weeks of fiscal 1999, ended May 9, 1999.

Net sales for the third quarter of fiscal 1999 increased 13% to \$5.94 billion from \$5.24 billion during the third quarter of fiscal 1998. On a comparable warehouse basis, that is warehouses open at least a year, net sales increased by 9%.

Net income for the third quarter of fiscal 1999 increased 24% to \$105.9 million from \$85.2 million during the third quarter of fiscal 1998. On a per share basis, earnings increased 21% to \$.46 per share (diluted) for the third quarter of fiscal 1999, from \$.38 per share during the third quarter of 1998.

Net sales for the first thirty-six weeks of fiscal 1999 increased 13% to \$18.32 billion from \$16.26 billion during the first thirty-six weeks of fiscal 1998. Comparable warehouse sales during the first thirty-six weeks of fiscal 1999 increased 9% over the prior year's levels.

Net operating results for the first thirty-six weeks of fiscal 1999 were impacted by a first quarter \$118.0 million non-cash, after-tax charge, reflecting the cumulative effect of the Company's change in accounting for membership fees from a cash to a deferred method. This resulted in reported earnings for the first thirty-six weeks of \$244.1 million, or \$1.07 per share, compared to reported net earnings of \$309.1 million, or \$1.37 per share, for the first thirty-six weeks of the prior fiscal year. Before the impact of this non-cash charge, net earnings for the first thirty-six weeks of fiscal 1999 were \$362.1 million, or \$1.57 per share. Assuming the newly adopted accounting treatment for deferring membership fees had been in effect in fiscal 1998, membership fees and other income for the first thirty-six weeks of the prior fiscal year would have been reduced by \$21.4 million to \$281.1 million; net earnings in the first thirty-six weeks of fiscal 1998 would have been \$296.3 million, or \$1.31 per share; and the year-over-year earnings increase for the first thirty-six weeks would have been 22%.

Costco currently operates 288 warehouses, including 218 in the United States, 58 in Canada, seven in the United Kingdom, three in Korea, one in Taiwan, and a recently opened warehouse in Hisayama, Japan; as well as 16 additional warehouses in Mexico with a joint venture partner. The Company also operates Costco Online, an electronic commerce web site, at www.costco.com. Expansion plans for the remainder of its 1999 fiscal year, ending August 29, 1999, include opening ten additional new warehouses (including the relocation of three existing warehouses to larger and better-located facilities).

COSTCO COMPANIES, INC.
CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands, except per share data)
(unaudited)

	12 Weeks Ended		36 Weeks Ended	
	May 9, 1999	May 10, 1998	May 9, 1999	May 10, 1998
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REVENUE				
Net sales	\$ 5,941,049	\$ 5,241,926	\$18,319,732	\$16,260,280
Membership fees and other	112,771	96,160	324,524	302,575
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Total revenue	6,053,820	5,338,086	18,644,256	16,562,855
OPERATING EXPENSES				
Merchandise costs	5,341,716	4,715,755	16,418,154	14,594,043
Selling, general & administrative	528,158	466,987	1,590,713	1,416,430
Preopening expenses	6,120	8,884	20,778	20,298
Provision for impaired assets and warehouse closing costs	1,500	1,500	6,500	3,500
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Operating income	176,326	144,960	608,111	528,584

OTHER INCOME (EXPENSE)				
Interest expense	(10,524)	(10,477)	(32,431)	(32,365)
Interest income and other	10,659	7,562	27,890	19,025
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INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE				
	176,461	142,045	603,570	515,244
Provision for income taxes	70,584	56,818	241,427	206,098
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INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE				
	105,877	85,227	362,143	309,146
Cumulative effect of accounting change, net of tax	--	--	118,023	--
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NET INCOME	\$ 105,877	\$ 85,227	\$ 244,120	\$ 309,146
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NET INCOME PER COMMON SHARE:

Basic earnings per share:

Income before cumulative effect of accounting change				
	\$ 0.48	\$ 0.39	\$ 1.65	\$ 1.44
Cumulative effect of accounting change, net of tax				
	--	--	(0.54)	--
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Net income	\$ 0.48	\$ 0.39	\$ 1.11	\$ 1.44
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Diluted earnings
per share:

Income before cumulative effect of accounting change				
	\$ 0.46	\$ 0.38	\$ 1.57	\$ 1.37
Cumulative effect of accounting change, net of tax				
	--	--	(0.50)	--
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Net income	\$ 0.46	\$ 0.38	\$ 1.07	\$ 1.37
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Shares used in
calculation (000's):

Basic	220,219	215,913	218,984	214,779
Diluted	236,785	232,378	235,181	230,808
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Pro forma amounts assuming
accounting change had
been in effect in
fiscal 1998:

Net income	\$ 105,877	\$ 84,730	\$ 362,142	\$ 296,283
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Earnings per common share - basic				
	\$ 0.48	\$ 0.39	\$ 1.65	\$ 1.38
	=====	=====	=====	=====
Earnings per common share - diluted				
	\$ 0.46	\$ 0.37	\$ 1.57	\$ 1.31
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KEYWORD: WASHINGTON

INDUSTRY KEYWORD: RETAIL EARNINGS