



Costco Wholesale Corporation Releases Fourth Quarter And Fiscal Year 1999 Results Of Operations And September Sales Results

October 7, 1999

ISSAQUAH, Wash.--(BUSINESS WIRE)--Oct. 7, 1999--Costco Wholesale Corporation ("Costco" or the "Company") (Nasdaq:COST) announced today its results of operations for the 16 weeks (fourth quarter) and the 52 weeks (fiscal year) ended August 29, 1999.

Net sales for fiscal 1999, the 52 weeks ended August 29, 1999, were \$26.98 billion, an increase of 13% from \$23.83 billion during the prior 52-week fiscal year ended August 30, 1998. Comparable warehouse sales increased 10% over the comparable 52-week period of fiscal 1998. Net sales for the 16-week fourth quarter ended August 29, 1999 increased 14% to \$8.66 billion from \$7.57 billion during the 16-week fourth quarter ended August 30, 1998. Comparable warehouse sales during the 16-week fourth quarter of fiscal 1999 increased 12% over the comparable 16-week period in the prior fiscal year.

Net income for the 16-week fourth quarter was impacted by a \$50 million (\$30 million after tax, or \$.13 per diluted share) provision for impaired assets and warehouse closing costs, which resulted in fourth quarter reported net income of \$153.2 million, or \$.66 per diluted share. The majority of this charge is related to the Company's planned increase in the number of warehouse relocations to larger and better located facilities. Excluding this charge, fourth quarter earnings per share increased 20% to \$.79 from \$.66 per diluted share, while net earnings increased 22% to \$183.2 million from \$150.7 million. As of the beginning of fiscal 1999, the Company changed its method of accounting for membership fees from a cash to a deferred method. Assuming the accounting treatment for deferring membership fees had been in effect in fiscal 1998, fourth quarter fiscal 1998 membership fees and other income would have been reduced by \$4.2 million; net earnings in the fourth quarter would have been \$148.2 million or \$.65 per diluted share and the increase in fourth quarter earnings per diluted share, excluding the provision for impaired assets and warehouse closing costs, would have been 22%.

Net income for all of fiscal 1999 was impacted by both the \$50 million fourth quarter provision for impaired assets and warehouse closing costs, as described above, as well as the one-time \$118.0 million non-cash, after-tax charge recorded in the first quarter of fiscal 1999, reflecting the cumulative effect of the Company's change in accounting for membership fees from a cash to a deferred method. The impact of these two charges resulted in reported earnings for fiscal 1999 of \$397.3 million or \$1.73 per diluted share compared to last year's reported earnings of \$459.8 million or \$2.03 per diluted share. Before the impact of these two charges, net earnings in fiscal 1999 were \$545.3 million, or \$2.36 per diluted share. Assuming the newly adopted accounting treatment for deferring membership fees had been in effect in fiscal 1998, last year's membership fees and other income would have been reduced by \$25.7 million to \$413.8 million; net earnings for fiscal 1998 would have been \$444.5 million or \$1.96 per diluted share; and the year-over-year earnings per share increase would have been 20%.

In addition to reporting fourth quarter and fiscal year 1999 operating results, the Company today reported net sales of \$2.70 billion for the five weeks ended October 3, 1999, an increase of 16% from \$2.33 billion in the same five-week period of the prior fiscal year. On a comparable warehouse basis, that is warehouses open at least a year, sales increased 12%.

The Company currently has 294 warehouses in operation: 223 in the United States, 58 in Canada, seven in the United Kingdom, three in Korea, two in Taiwan and a warehouse in Japan: as well as 17 additional warehouses in Mexico with a joint venture partner. Nine additional warehouse openings (including one relocation) are planned for the U.S., Canada, and Taiwan in the Fall, prior to the Christmas holiday season. The Company also operates Costco Online, an electronic commerce web site, at www.costco.com. -0-

COSTCO WHOLESALE CORPORATION CONDENSED CONSOLIDATED STATEMENTS OF INCOME (dollars in thousands, except per share data)

	<u>16 Weeks Ended</u>		<u>52 Weeks Ended</u>	
	August 29, 1999	August 30, 1998	August 29, 1999	August 30, 1998
REVENUE				
Net sales	\$ 8,656,721	\$ 7,570,100	\$ 26,976,453	\$23,830,380
Membership fees and other	155,054	136,922	479,578	439,497
Total revenue	8,811,775	7,707,022	27,456,031	24,269,877
OPERATING EXPENSES				

Merchandise costs	7,752,045	6,785,648	24,170,199	21,379,691
Selling, general and administrative	747,485	653,470	2,338,198	2,069,900
Preopening expenses	10,229	6,712	31,007	27,010
Provision for impaired assets and warehouse closing costs	50,000	2,500	56,500	6,000
Operating income	252,016	258,692	860,127	787,276
OTHER INCOME (EXPENSE)				
Interest expense	(13,096)	(15,170)	(45,527)	(47,535)
Interest income and other	16,376	7,637	44,266	26,662
Income before income taxes and cumulative effect of accounting change	255,296	251,159	858,866	766,403
Provision for income taxes	102,118	100,463	343,545	306,561
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	153,178	150,696	515,321	459,842
Cumulative effect of accounting change, net of tax	---	---	(118,023)	---
NET INCOME	\$ 153,178	\$ 150,696	\$ 397,298	\$459,842
NET INCOME PER COMMON SHARE:				
Basic earnings per share:	\$ 0.69	\$ 0.69	\$ 2.35	\$2.13
Income before cumulative effect of accounting change				
Cumulative effect of accounting change, net of tax	---	---	(0.54)	---
Net income	\$ 0.69	\$ 0.69	\$ 1.81	\$2.13
Diluted earnings per share:	\$ 0.66	\$ 0.66	\$ 2.23	\$2.03
Income before cumulative effect of accounting change				
Cumulative effect of accounting change, net of tax	---	---	(0.50)	---
Net income	\$ 0.66	\$ 0.66	\$ 1.73	\$2.03
Shares used in calculation (000's)				

Basic	221,076	217,142	219,626	215,506
Diluted	236,480	233,501	235,560	231,685
Pro forma amounts assuming accounting change had been in effect in fiscal 1998:				
Net income	\$ 153,178	\$ 148,169	\$ 515,321	\$444,451
Earnings per common share – basic	\$ 0.69	\$ 0.68	\$ 2.35	\$2.06
Earnings per common share – diluted	\$ 0.66	\$ 0.65	\$ 2.23	\$1.96