DOLLAR GENERAL CORP
Form 10-K
March 20, 2015

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended January 30, 2015

Commission file number: 001-11421

DOLLAR GENERAL CORPORATION

(Exact name of registrant as specified in its charter)

TENNESSEE	**61-0502302**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

100 MISSION RIDGE
GOODLETTSVILLE, TN 37072
(Address of principal executive offices, zip code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of the exchange on which registered**
Common Stock, par value $0.875 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No ý

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this

Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý

The aggregate fair market value of the registrant's common stock outstanding and held by non-affiliates as of August 1, 2014 was $16.89 billion calculated using the closing market price of our common stock as reported on the NYSE on such date ($55.77). For this purpose, directors, executive officers and greater than 10% record shareholders are considered the affiliates of the registrant.

The registrant had 303,415,449 shares of common stock outstanding as of March 12, 2015.

DOCUMENTS INCORPORATED BY REFERENCE

Certain of the information required in Part III of this Form 10-K is incorporated by reference to the Registrant's definitive proxy statement to be filed for the Annual Meeting of Shareholders to be held on May 27, 2015.

INTRODUCTION

General

This report contains references to years 2015, 2014, 2013, 2012, 2011, and 2010, which represent fiscal years ending or ended January 29, 2016, January 30, 2015, January 31, 2014, February 1, 2013, February 3, 2012, and January 28, 2011, respectively. Our fiscal year ends on the Friday closest to January 31, and each of the years listed will be or were 52-week years, with the exception of 2011 which consisted of 53 weeks. All of the discussion and analysis in this report should be read with, and is qualified in its entirety by, the Consolidated Financial Statements and related notes.

Solely for convenience, our trademarks and tradenames may appear in this report without the ® or TM symbol which is not intended to indicate that we will not assert, to the fullest extent under applicable law, our rights or the right to these trademarks and tradenames.

Cautionary Disclosure Regarding Forward-Looking Statements

We include "forward-looking statements" within the meaning of the federal securities laws throughout this report, particularly under the headings "Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Note 8 Commitments and Contingencies," among others. You can identify these statements because they are not limited to historical fact or they use words such as "may," "will," "should," "could," "believe," "anticipate," "project," "plan," "expect," "estimate," "forecast," "goal," "potential," "opportunity," "intend," "will likely result," or "will continue" and similar expressions that concern our strategy, plans, intentions or beliefs about future occurrences or results. For example, all statements relating to our estimated and projected expenditures, cash flows, results of operations, financial condition and liquidity; our plans, objectives and expectations for future operations, growth or initiatives; or the expected outcome or effect of legislative or regulatory changes or initiatives, pending or threatened litigation or audits are forward-looking statements.

All forward-looking statements are subject to risks and uncertainties that may change at any time, so our actual results may differ materially from those that we expected. We derive many of these statements from our operating budgets and forecasts, which are based on many detailed assumptions that we believe are reasonable. However, it is very difficult to predict the effect of known factors, and we cannot anticipate all factors that could affect our actual results.

Important factors that could cause actual results to differ materially from the expectations expressed in our forward-looking statements are disclosed under "Risk Factors" in Part I, Item 1A and elsewhere in this document (including, without limitation, in conjunction with the forward-looking statements themselves and under the heading "Critical Accounting Policies and Estimates"). All forward-looking statements are qualified in their entirety by these and other cautionary statements that we make from time to time in our other SEC filings and public communications. You should evaluate such statements in the context of these risks and uncertainties. These factors may not contain all of the factors that are important to you. We cannot assure you that we will realize the results or developments we anticipate or, even if substantially realized, that they will result in the consequences or affect us in the way we expect. Forward-looking statements are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

PART I

ITEM 1. BUSINESS

General

We are the largest discount retailer in the United States by number of stores, with 11,879 stores located in 43 states as of February 27, 2015, primarily in the southern, southwestern, midwestern and eastern United States. We offer a broad selection of merchandise, including consumables, seasonal, home products and apparel. Our merchandise includes high quality national brands from leading manufacturers, as well as comparable quality private brand selections with prices at substantial discounts to national brands. We offer our merchandise at everyday low prices (typically $10 or less) through our convenient small-box locations, with selling space averaging approximately 7,400 square feet.

Our History

J.L. Turner founded our Company in 1939 as J.L. Turner and Son, Wholesale. We were incorporated as a Kentucky corporation under the name J.L. Turner & Son, Inc. in 1955, when we opened our first Dollar General store. We changed our name to Dollar General Corporation in 1968 and reincorporated in 1998 as a Tennessee corporation. Our common stock was publicly traded from 1968 until July 2007, when we merged with an entity controlled by investment funds affiliated with Kohlberg Kravis Roberts & Co. L.P., or KKR. In November 2009 our common stock again became publicly traded, and in December 2013 the entity controlled by investment funds affiliated with KKR sold its remaining shares of our common stock.

Our Business Model

Our long history of profitable growth is founded on a commitment to a relatively simple business model: providing a broad base of customers with their basic everyday and household needs, supplemented with a variety of general merchandise items, at everyday low prices in conveniently located, small-box stores. We continually evaluate the needs and demands of our customers and modify our merchandise selections and pricing accordingly, while remaining focused on increasing profitability and returns for our shareholders.

In fiscal year 2014, we achieved our 25th consecutive year of same-store sales growth. This growth, regardless of economic conditions, suggests that we have a less cyclical business model than most retailers and, we believe, is a result of our compelling value and convenience proposition.

Compelling Value and Convenience Proposition. Our ability to deliver highly competitive prices on national brand and quality private brand products in convenient locations and our easy "in and out" shopping format create a compelling shopping experience that distinguishes us from other discount retailers as well as convenience, drug and grocery retailers. Our slogan "Save time. Save money. Every day!" summarizes our appeal to customers. We believe our ability to effectively deliver both value and convenience allows us to succeed in small markets with limited shopping alternatives, as well as to profitably coexist alongside larger retailers in more competitive markets. Our value and convenience proposition is evidenced by the following attributes of our business model:

Convenient Locations. Our stores are conveniently located in a variety of rural, suburban and urban communities, currently with approximately 70% serving communities with populations of fewer than 20,000. In more densely populated areas, our small-box stores typically serve the closely surrounding neighborhoods. The majority of our customers live within three to five miles, or a 10-minute drive, of our stores. Our close proximity to customers drives customer loyalty and trip frequency and makes us an attractive alternative to large discount and other large-box retail and grocery stores which are often located farther away. Our low-cost economic model enables us to serve many areas with fewer than 1,500 households.

Time-Saving Shopping Experience. We also provide customers with a highly convenient shopping experience. Our stores' smaller size allows us to locate parking near the front entrance. Our product offering includes most necessities, such as basic packaged and refrigerated food and dairy products, cleaning supplies, paper products, health and beauty care items, greeting cards, basic apparel, housewares, hardware and automotive supplies, among others. Our convenient hours and broad merchandise offering allow our customers to fulfill their routine shopping requirements and minimize their need to shop elsewhere.

Everyday Low Prices on Quality Merchandise. Our research indicates that we offer a price advantage over most food and drug retailers and that our prices are highly competitive with even the largest discount retailers. As such, we believe our emphasis on affordability continues to resonate with our customers, propelling growth in sales, unit share, and dollar share as indicated in syndicated market share gains. Our ability to offer everyday low prices on quality merchandise is supported by our low-cost operating structure and our strategy to maintain a limited number of stock keeping units ("SKUs") per category, which we believe helps us maintain strong purchasing power. Most items are priced at $10 or less, with approximately 25% at $1 or less. We offer quality nationally advertised brands at these everyday low prices in addition to offering our own comparable quality private brands at value prices.

Substantial Growth Opportunities. We believe we have substantial long-term growth potential in the U.S. We have identified significant opportunities to add new stores in both existing and new markets. In addition, we have opportunities to relocate or remodel locations within our existing store base to better serve our customers.

Our attractive store economics, including a relatively low initial investment and simple, low cost operating model have allowed us to grow our store base to current levels and provide us significant opportunities to continue our profitable store growth strategy.

Our Operating Priorities

We believe we continue to have significant opportunities to drive profitable growth by continuing to expand upon our simple business model, which is largely focused on serving the needs of low and fixed income consumers, segments of the U.S. population that have continued to grow over the past several years. We believe our four key operating priorities are critical to the long-term growth and profitability of our company. These priorities are 1) drive productive sales growth; 2) enhance our gross profit rate; 3) leverage process improvements and information technology to reduce costs; and 4) strengthen and expand Dollar General's culture of serving others.

Drive Productive Sales Growth. We believe our customer-driven merchandise mix and attractive value proposition, combined with the impact of our remodeled and relocated stores provide a strong basis for increased same-store sales. On a comparable 52-week basis, our same-store sales increased 2.8% in 2014, 3.3% in 2013 and 4.7% in 2012. Our average net sales per square foot, based on total stores, increased to $223 in 2014 from $220 in 2013 and $216 in 2012.

In 2014 we continued to innovate in our ongoing pursuit to maximize the sales productivity of our stores, experiencing continued success of our 2013 introduction of tobacco products with positive comparable same-store sales after the anniversary. Among other initiatives, we further expanded our perishables offerings to meet the needs of our customer and renewed our focus on $1 to $5 items, with more than 75% of our SKUs at 2014 year-end priced at $5 or less. Selling tobacco products and perishables drives more frequent shopping trips by our existing customers and attracts new customers by making our stores more relevant to a broader customer base. We believe we have opportunities to increase our store productivity in 2015 through continued improvements in store space utilization, pricing and markdown optimization and additional merchandising initiatives, such as furthering the successful launch of our DG Digital Coupons program, which allows our customers to access digital coupons via the internet, smartphones and similar devices.

Our new store expansion strategy also is a critical element of our priority to drive productive sales growth. We have confidence in our real estate disciplines and in our ability to identify, open and operate successful new stores. In 2014, we opened 700 new stores and increased our selling square footage by over 6%. We invest significant time and energy into analyzing new store opportunities. Our site selection technology affirms our confidence in our ability to accelerate the expansion of our store base in 2016. In 2015, we plan to open 730 new stores and increase our square footage by 6% as we continue to expand in our core markets as well as newer states. We also plan to continue to remodel stores to update our appearance and relocate stores to increase square footage, where needed, improve visibility and accessibility or to obtain more attractive lease terms.

Enhance Our Gross Profit Rate. Another key component of our growth strategy is enhancing our gross profit rate.

We remain committed to an everyday low price ("EDLP") strategy that our customers can depend on. To strengthen our adherence to this strategy and still maximize gross profit, we utilize various pricing and merchandising options, including limited zone pricing, markdown optimization strategies and changes to our product selection, such as alternate national brands and private brands, which generally have higher gross profit rates. A successful first full year of offering tobacco products and our continued expansion of perishable food items contributed significantly to increases in sales and gross profit dollars during 2014, although, as expected, at a lower gross profit rate as a percentage of sales. Importantly, we believe these categories are instrumental to attaining our goals of driving more frequent shopping trips, higher average ticket, and attracting new customers. We believe our initiatives to improve inventory shrinkage are having an impact, with our inventory shrinkage rate as a percent to sales leveling off in 2014 compared to 2013. In addition, we maintain an ongoing focus on reducing transportation and distribution costs as well as efforts to minimize inventory damages.

Over the long term, we will continue our efforts to reduce product costs through shrink reduction, further expansion of our private brands, foreign sourcing, the use of online procurement auctions and incremental distribution and transportation efficiencies. We also plan to continue to refine our product selection to meet our customers' needs in our home, apparel and seasonal categories, which generally have higher gross profit rates than consumables.

Leverage Process Improvements and Information Technology to Reduce Costs. As part of our ongoing efforts to improve our cost structure and enhance efficiencies throughout the organization, in 2014 we made further progress in simplifying our store processes. This progress contributed to a reduction in store labor as a percentage of sales. In addition, we realized cost savings from our centralized procurement initiative and other expense reduction efforts. In 2015, we expect to achieve further savings from our mining for cost reduction initiatives and will remain focused on controlling those expenses that are within our control. Factors primarily related to our cash incentive compensation plan caused certain expenses in 2014 to be higher than in 2013, as explained in further detail in Management's Discussion and Analysis of Financial Condition and Results of Operations contained in Part II, Item 7 of this report.

Strengthen and Expand Our Culture of Serving Others. The mission of "Serving Others" has been key to the culture of Dollar General for many years and we recognize the importance of this mission to our long-term success. For customers this means helping them "Save time. Save money. Every day!" by providing clean, well-stocked stores with quality products at low prices. For employees, this means creating an environment that attracts and retains key employees throughout the organization. For the public, this means giving back to our store communities through our charitable and other efforts. For shareholders, this means meeting their expectations of an efficiently and profitably run organization that operates with compassion and integrity.

Our Merchandise

We offer a focused assortment of everyday necessities, which drive frequent customer visits, and key items in a broad range of general merchandise categories. Our product assortment provides the opportunity for our customers to address most of their basic shopping needs with one trip. We sell high-quality national brands from leading manufacturers such as Procter & Gamble, PepsiCo, Coca-Cola, Nestle, General Mills, Unilever, Kimberly Clark, Kellogg's and Nabisco, which are typically found at higher retail prices elsewhere. Additionally, our private brand consumables offer even greater value with options to purchase value items and national brand equivalent products at substantial discounts to the national brand.

Our stores generally offer approximately 11,000 total SKUs per store; however, the number of SKUs in a given store can vary based upon the store's size, geographic location, merchandising initiatives, seasonality, and other factors. Most of our products are priced at $10 or less, with approximately 25% at $1 or less and over 75% at $5 or less. We separate our merchandise into four categories: 1) consumables; 2) seasonal; 3) home products; and 4) apparel.

Consumables is our largest category and includes paper and cleaning products (such as paper towels, bath tissue, paper dinnerware, trash and storage bags, laundry and other home cleaning supplies); packaged food (such as cereals, canned soups and vegetables, condiments, spices, sugar and flour); perishables (such as milk, eggs, bread, frozen meals, beer and wine); snacks (including candy, cookies, crackers, salty snacks and carbonated beverages); health and beauty (including over-the-counter medicines and personal care products, such as soap, body wash, shampoo, dental hygiene and foot care products); pet (including pet supplies and pet food); and tobacco products.

Seasonal products include decorations, toys, batteries, small electronics, greeting cards, stationery, prepaid phones and accessories, gardening supplies, hardware, automotive and home office supplies.

Home products includes kitchen supplies, cookware, small appliances, light bulbs, storage containers, frames, candles, craft supplies and kitchen, bed and bath soft goods.

Apparel includes casual everyday apparel for infants, toddlers, girls, boys, women and men, as well as socks, underwear, disposable diapers, shoes and accessories.

The percentage of net sales of each of our four categories of merchandise for the fiscal years indicated below was as follows:

	2014	2013	2012
Consumables	75.7%	75.2%	73.9%
Seasonal	12.4%	12.9%	13.6%
Home products	6.4%	6.4%	6.6%
Apparel	5.5%	5.5%	5.9%

Our seasonal and home products categories typically account for the highest gross profit margins, and the consumables category typically accounts for the lowest gross profit margin.

The Dollar General Store

The typical Dollar General store has, on average, approximately 7,400 square feet of selling space and is typically operated by a store manager, one or more assistant store managers, and three or more sales associates. Approximately 68% of our stores are in freestanding buildings and 32% are in strip shopping centers. Most of our customers live within three to five miles, or a 10 minute drive, of our stores.

Our typical store features a low cost, no frills building with limited maintenance capital, low operating costs, and a focused merchandise offering within a broad range of categories, allowing us to deliver low retail prices while generating strong cash flows and investment returns. Our initial capital investment in new stores and relocations varies depending on the lease structure or ownership as well as the size and location of the store and the number of coolers appropriate for the location.

We generally have had good success in locating suitable store sites in the past, and we believe that there is ample opportunity for new store growth in existing and new markets. In addition, we believe we have significant opportunities available for our relocation and remodel programs.

Our store growth over the past three years is summarized in the following table:

Year	Stores at Beginning of Year	Stores Opened	Stores Closed	Net Store Increase	Stores at End of Year
2012	9,937	625	56	569	10,506
2013	10,506	650	24	626	11,132
2014	11,132	700	43	657	11,789

Our Customers

Our customers seek value and convenience. Depending on their financial situation and geographic proximity, customers' reliance on Dollar General varies from using Dollar General for fill-in shopping, to making periodic trips to stock up on household items, to making weekly or more frequent trips to meet most essential needs. We generally locate our stores and plan our merchandise selections to best serve the needs of our core customers, the low and fixed income households often underserved by other retailers, and we are focused on helping them make the most of their spending dollars. At the same time, however, loyal Dollar General shoppers from a wide range of income brackets and life stages appreciate our quality merchandise as well as our attractive value and convenience proposition.

To attract new and retain existing customers, we continue to focus on product quality, product selection, in-stock levels, pricing, targeted advertising, store standards, convenient site locations, and a pleasant overall customer experience.

Our Suppliers

We purchase merchandise from a wide variety of suppliers and maintain direct buying relationships with many producers of national brand merchandise, such as Procter & Gamble, PepsiCo, Coca-Cola, Nestle, General Mills, Unilever, Kimberly Clark, Kellogg's and Nabisco. Despite our broad offering, we maintain only a limited number of SKUs per category, giving us a pricing advantage in dealing with our suppliers. Our largest and second largest suppliers each accounted for approximately 7% of our purchases in 2014. Our private brands come from a diversified supplier base. We directly imported approximately $770 million or 6% of our purchases at cost (9% of our purchases based on their retail value) in 2014. Our vendor arrangements generally provide for payment for such merchandise in U.S. dollars.

We have consistently managed to obtain sufficient quantities of core merchandise and believe that, if one or more of our current sources of supply became unavailable, we would generally be able to obtain alternative sources without experiencing a substantial disruption of our business. However, such alternative sources could increase our merchandise costs or reduce the quality of our merchandise, and an inability to obtain alternative sources could adversely affect our sales.

Distribution and Transportation

Our stores are currently supported by twelve distribution centers located strategically throughout our geographic footprint. We have also broken ground on our 13^{th} distribution center in San Antonio, Texas which we expect to be operational by the end of 2015. We lease additional temporary warehouse space as necessary to support our distribution needs. Over the past few years we have made significant investments in facilities, technological improvements and upgrades, and we continue to improve work processes, all of which increase our efficiency and ability to support our merchandising and operations initiatives as well as our new store growth. We continually analyze and rebalance the network to ensure that it remains efficient and provides the service our stores require. See " Properties" for additional information pertaining to our distribution centers.

Most of our merchandise flows through our distribution centers and is delivered to our stores by third-party trucking firms, utilizing our trailers. During 2014, the entire trucking industry experienced driver capacity issues and these shortages affected our transportation costs. Further, our agreements with trucking firms are based on estimated costs of diesel fuel, with the difference in estimated and current market fuel costs passed through to us. In late 2014, we began to see a decline in global oil prices which had a corresponding effect on the price of diesel fuel. The costs of diesel fuel are significantly influenced by international, political and economic circumstances. If fuel price increases were to occur for any reason, including fuel supply shortages or unusual price volatility, the resulting higher fuel prices could materially increase our transportation costs.

Seasonality

Our business is seasonal to a certain extent. Generally, our highest sales volume occurs in the fourth quarter, which includes the Christmas selling season, and the lowest occurs in the first quarter. In addition, our quarterly results can be affected by the timing of certain holidays, the timing of new store openings and store closings, the amount of sales contributed by new and existing stores, as well as financial transactions such as stock repurchases. We typically purchase substantial amounts of inventory in the third quarter and incur higher shipping and payroll costs in anticipation of increased sales activity during the fourth quarter. In addition, we carry merchandise during our fourth quarter that we do not carry during the rest of the year, such as gift sets, holiday decorations, certain baking items, and a broader assortment of toys and candy.

The following table reflects the seasonality of net sales, gross profit, and net income by quarter for each of the quarters of our three most recent fiscal years. Each of the quarters reflected below were comprised of 13 weeks.

(in millions)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Year Ended January 30, 2015				
Net sales	$ 4,522.1	$ 4,724.0	$ 4,724.4	$ 4,939.1
Gross profit	1,357.7	1,455.6	1,423.7	1,565.4
Net income(a)	222.4	251.3	236.3	355.4
Year Ended January 31, 2014				
Net sales	$ 4,233.7	$ 4,394.7	$ 4,381.8	$ 4,493.9
Gross profit	1,295.1	1,377.3	1,328.5	1,434.8
Net income(b)	220.1	245.5	237.4	322.2
Year Ended February 1, 2013				
Net sales	$ 3,901.2	$ 3,948.7	$ 3,964.6	$ 4,207.6
Gross profit	1,228.3	1,263.2	1,226.1	1,367.8
Net income(c)	213.4	214.1	207.7	317.4

(a) Includes expenses, net of income taxes, of $7.4 million and $1.3 million, respectively, related to an attempted business acquisition in the third and fourth quarters of 2014.

(b) Includes expenses, net of income taxes, of $11.5 million related to the termination of credit facilities in the first quarter of 2013.

(c) Includes expenses, net of income taxes, of $17.7 million related to the redemption of long-term obligations in the second quarter of 2012.

Our Competition

We operate in the basic discount consumer goods market, which is highly competitive with respect to price, store location, merchandise quality, assortment and presentation, in-stock consistency, and customer service. We compete with discount stores and with many other retailers, including mass merchandise, warehouse club, grocery, drug, convenience, variety and other specialty stores. These other retail companies operate stores in many of the areas where we operate, and many of them engage in extensive advertising and marketing efforts. Our direct competitors include Family Dollar, Dollar Tree, Fred's, 99 Cents Only and various local, independent operators, as well as Walmart, Target, Kroger, Aldi, Walgreens, CVS, and Rite Aid, among others. Certain of our competitors have greater financial, distribution, marketing and other resources than we do.

We differentiate ourselves from other forms of retailing by offering consistently low prices in a convenient, small-store format. We believe that our prices are competitive due in part to our low cost operating structure and the relatively limited assortment of products offered. Purchasing large volumes of merchandise within our focused assortment in each merchandise category allows us to keep our average costs low, contributing to our ability to offer competitive everyday low prices to our customers. See " Our Business Model" above for further discussion of our competitive situation.

Our Employees

As of February 27, 2015, we employed approximately 105,500 full-time and part-time employees, including divisional and regional managers, district managers, store managers, other store personnel and distribution center and administrative personnel. We have increasingly focused on recruiting, training, motivating and retaining employees, and we believe that the quality, performance and morale of our employees have increased as a result. We currently are not a party to any collective bargaining agreements.

Our Trademarks

We own marks that are registered with the United States Patent and Trademark Office and are protected under applicable intellectual property laws, including without limitation the trademarks Dollar General®, Dollar General Market®, Clover Valley®, DG®, DG Deals®, Forever Pals®, I*Magine®, OT Sport®, Smart & Simple®, trueliving®, Sweet Smiles®, Open Trails®, Bobbie Brooks®, Comfort Bay®, Holiday Style®, and Ever Pet™ along with variations and formatives of these trademarks as well as certain other trademarks. We attempt to obtain registration of our trademarks whenever practicable and to pursue vigorously any infringement of those marks. Our trademark registrations have various expiration dates; however, assuming that the trademark registrations are properly renewed, they have a perpetual duration.

We also hold an exclusive license to the Rexall brand through March 5, 2020.

Available Information

Our Internet website address is www.dollargeneral.com. We file with or furnish to the Securities and Exchange Commission (the "SEC") annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, proxy statements and annual reports to shareholders, and, from time to time, registration statements and other documents. These documents are available free of charge to investors on or through the Investor Information section of our website as soon as reasonably practicable after we electronically file them with or furnish them to the SEC. In addition, the public may read and copy any of the materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding issuers, such as Dollar General, that file electronically with the SEC. The address of that website is http://www.sec.gov.

ITEM 1A. RISK FACTORS

You should carefully consider the risks described below and the other information contained in this report and other filings that we make from time to time with the SEC, including our consolidated financial statements and accompanying notes. Any of the following risks could materially and adversely affect our business, financial condition, results of operations or liquidity. These risks are not the only risks we face. Our business, financial condition, results of operations or liquidity could also be adversely affected by additional factors that apply to all companies generally or by risks not currently known to us or that we currently view to be immaterial. We can provide no assurance and make no representation that our risk mitigation efforts, although we believe they are reasonable, will be successful.

Current economic conditions and other economic factors may adversely affect our financial performance and other aspects of our business by negatively impacting our customers' disposable income or discretionary spending, increasing our costs of goods sold and selling, general and administrative expenses, and adversely affecting our sales or profitability.

We believe many of our customers have fixed or low incomes and generally have limited discretionary spending dollars. Any factor that could adversely affect that disposable income would decrease our customers' spending and could cause our customers to shift their spending to products other than those sold by us or to our less profitable product choices, all of which could result in lower net sales, decreases in inventory turnover, greater markdowns on inventory, a change in the mix of products we sell, and a reduction in profitability due to lower margins. Factors that could reduce our customers' disposable income and over which we exercise no influence include but are not limited to adverse economic conditions such as increased or sustained high unemployment or underemployment levels, inflation, increases in fuel or other energy costs and interest rates, lack of available credit, consumer debt levels, higher tax rates and other changes in tax laws, concerns over government mandated participation in health insurance programs and increasing healthcare costs, and decreases in government subsidies such as unemployment and food assistance programs.

Many of the factors identified above that affect disposable income, as well as commodity rates, transportation costs (including the costs of diesel fuel), costs of labor, insurance and healthcare, foreign exchange rate fluctuations, lease costs, measures that create barriers to or increase the costs associated with international trade, changes in other laws and regulations and other economic factors, also affect our cost of goods sold and our selling, general and administrative expenses, and may have other adverse consequences which we are unable to fully anticipate or control, all of which may adversely affect our sales or profitability. We have limited or no ability to control many of these factors.

Our plans depend significantly on strategies and initiatives designed to increase sales and improve the efficiencies, costs and effectiveness of our operations, and failure to achieve or sustain these plans could affect our performance adversely.

We have strategies and initiatives (such as those relating to merchandising, sourcing, shrink, private brand, distribution and transportation, store operations, expense reduction, and real estate) in various stages of testing, evaluation, and implementation, upon which we expect to rely to continue to improve our results of operations and financial condition and to achieve our financial plans. These initiatives are inherently risky and uncertain, even when tested successfully, in their application to our business in general. It is possible that successful testing can result partially from resources and attention that cannot be duplicated in broader implementation, particularly in light of the diverse geographic locations of our stores and the decentralized nature of our field management. General implementation also may be negatively affected by other risk factors described herein. Successful systemwide implementation relies on consistency of training, stability of workforce, ease of execution, and the absence of offsetting factors that can influence results adversely. Failure to achieve successful implementation of our initiatives or the cost of these initiatives exceeding management's estimates could adversely affect our business, results of operations and financial condition.

The success of our merchandising initiatives, particularly those with respect to non-consumable merchandise and store-specific products and allocations, depends in part upon our ability to predict consistently and successfully the products that our customers will demand and to identify and timely respond to evolving trends in demographics and consumer preferences, expectations and needs. If we are unable to select products that are attractive to customers, to obtain such products at costs that allow us to sell them at an acceptable profit, or to effectively market such products, our sales, market share and profitability could be adversely affected. If our merchandising efforts in the non-consumables area or the higher margin areas within consumables are unsuccessful, we could be further adversely affected by our inability to offset the lower margins associated with our consumables business. Further, our merchandising efforts in the consumables area, including tobacco products, may not generate the net sales growth and increase customer traffic to the levels needed to offset the lower margins generated by sales of consumables and maintain our targeted gross profit margins.

If we cannot open, relocate or remodel stores profitably and on schedule, our planned future growth will be impeded, which would adversely affect sales.

Our ability to open, relocate and remodel profitable stores is a key component of our planned future growth. Our ability to timely open stores and to expand into additional market areas depends in part on the following factors: the availability of attractive store locations; the absence of entitlement process or occupancy delays; the ability to negotiate acceptable lease and development terms; the ability to hire and train new personnel, especially store managers, in a cost effective manner; the ability to identify customer demand in different geographic areas; general economic conditions; and the availability of capital funding for expansion. Many of these factors also affect our ability to successfully relocate stores, and many of them are beyond our control.

Delays or failures in opening new stores or completing relocations or remodels, or achieving lower than expected sales in new stores, could materially adversely affect our growth and/or profitability. We also may not anticipate all of the challenges imposed by the expansion of our operations and, as a result, may not meet our targets for opening new stores, remodeling or relocating stores or expanding profitably.

Some new stores may be located in areas where we have little or no meaningful experience or brand recognition. Those areas may have different competitive and market conditions, consumer tastes and discretionary spending patterns than our existing markets, as well as higher cost of entry, which may cause our new stores to be initially less successful than stores in our existing markets.

Many new stores will be located in areas where we have existing stores. Although we have experience in these areas, increasing the number of locations in these markets may result in inadvertent oversaturation and temporarily or permanently divert customers and sales from our existing stores, thereby adversely affecting our overall financial performance.

Our profitability may be negatively affected by inventory shrinkage.

We are subject to the risk of inventory loss and theft. We experience significant inventory shrinkage and cannot be sure that incidences of inventory loss and theft will decrease in the future or that the measures we are taking will effectively reduce the problem of inventory shrinkage. Although some level of inventory shrinkage is an unavoidable cost of doing business, if we were to experience higher rates of inventory shrinkage or incur increased security or other costs to combat inventory theft, our results of operations and financial condition could be affected adversely.

We face intense competition that could limit our growth opportunities and adversely impact our financial performance.

The retail business is highly competitive with respect to price, store location, merchandise quality, assortment and presentation, in-stock consistency, customer service, aggressive promotional activity, customers, and employees. We compete with retailers operating discount, mass merchandise, warehouse club, grocery, drug, convenience, variety and other specialty stores. This competitive environment subjects us to the risk of adverse impact to our financial performance because of the lower prices, and thus the lower margins, that may be required to maintain our competitive position. Also, companies like ours, due to customer demographics and other factors, may have limited ability to increase prices in response to increased costs without losing competitive position. This limitation may adversely affect our margins and financial performance. Certain of our competitors have greater financial, distribution, marketing and other resources than we do and may be able to secure better arrangements with suppliers than we can. If we fail to respond effectively to competitive pressures and changes in the retail markets, it could adversely affect our financial performance.

Competition for customers has intensified as competitors have moved into, or increased their presence in, our geographic markets and from the use of mobile and web-based technology that facilitates online shopping and real-time product and price comparisons. We expect this competition to continue to increase. In addition, some of our large box competitors are or may be developing small box formats, and increasing the pace at which they will open the small box formats, which will produce more competition. We remain vulnerable to the marketing power and high level of consumer recognition of these larger competitors and to the risk that these competitors or others could venture into our industry in a significant way. Further, consolidation within the discount retail industry could significantly alter the competitive dynamics of the retail marketplace. This consolidation may result in competitors with greatly improved financial resources, improved access to merchandise, greater market penetration and other improvements in their competitive positions, as well as result in the provision of a wider variety of products and services at competitive prices by these consolidated companies, which could adversely affect our financial performance.

Our private brands may not maintain broad market acceptance and increase the risks we face.

The sale of private brand items is an important component of our future sales growth and gross profit rate enhancement plans. We have invested in our development and procurement resources and marketing efforts relating to these private brand offerings. We believe that our success in maintaining broad market acceptance of our private brands depends on many factors, including pricing, our costs, quality and customer perception. We may not achieve or maintain our expected sales for our private brands. The expansion of our private brand offerings also subjects us to certain risks, such as: potential product liability risks and mandatory or voluntary product recalls; our ability to successfully protect our proprietary rights and successfully navigate and avoid claims related to the proprietary rights of third parties; our ability to successfully administer and comply with applicable contractual obligations and regulatory requirements; and other risks generally encountered by entities that source, sell and market exclusive branded offerings for retail. An increase in sales of our private brands may also adversely affect sales of our vendors' products, which, in turn, could adversely affect our relationship with certain of our vendors. Any failure to appropriately address some or all of these risks could have a significant adverse effect on our business, results of operations and financial condition.

A significant disruption to our distribution network, to the capacity of our distribution centers or to the timely receipt of inventory could adversely impact sales or increase our transportation costs, which would decrease our profits.

We rely on our distribution and transportation network to provide goods to our stores in a timely and cost-effective manner. Using various modes of transportation, including ocean, rail, and truck, we and our vendors move goods from vendor locations to our distribution centers. Deliveries to our stores occur from our distribution centers or directly from our vendors. Any disruption, unanticipated or unusual expense or operational failure related to this process could affect store operations negatively. For example, delivery delays or increases in transportation costs (including through increased fuel costs, increased carrier rates or driver wages as a result of driver shortages, a decrease in transportation capacity for overseas shipments, or work stoppages or slowdowns) could significantly decrease our ability to make sales and earn profits. Labor shortages or work stoppages in the transportation industry or long-term disruptions to the national and international transportation infrastructure that lead to delays or interruptions of deliveries or which would necessitate our securing alternative labor or shipping suppliers could also increase our costs or otherwise negatively affect our business.

We maintain a network of distribution facilities and have plans to build new facilities to support our growth objectives. Delays in opening distribution centers could adversely affect our future financial performance by slowing store growth, which may in turn reduce revenue growth, or by increasing transportation costs. In addition, distribution-related construction or expansion projects entail risks that could cause delays and cost overruns, such as: shortages of materials or skilled labor; work stoppages; unforeseen construction, scheduling, engineering, environmental or geological problems; weather interference; fires or other casualty losses; and unanticipated cost increases. The completion date and ultimate cost of these projects could differ significantly from initial expectations due to construction-related or other reasons. We cannot guarantee that any project will be completed on time or within established budgets.

Risks associated with or faced by our suppliers could adversely affect our financial performance.

The products we sell are sourced from a wide variety of domestic and international suppliers, and we are dependent on our vendors to supply merchandise in a timely and efficient manner. In 2014, our largest and second largest suppliers each accounted for 7% of our purchases. We have not experienced any difficulty in obtaining sufficient quantities of core merchandise and believe that, if one or more of our current sources of supply became unavailable, we would generally be able to obtain alternative sources without experiencing a substantial disruption of our business. However, such alternative sources could increase our merchandise costs, result in a temporary reduction in store inventory levels, and reduce the quality of our merchandise, and an inability to obtain alternative sources could adversely affect our sales. Additionally, if a supplier fails to deliver on its commitments, whether due to financial difficulties or other reasons, we could experience merchandise out-of-stocks that could lead to lost sales and damage to our reputation.

We directly imported approximately 6% of our purchases (measured at cost) in 2014, but many of our domestic vendors directly import their products or components of their products. Changes to the prices and flow of these goods for any reason, such as political unrest or acts of war, currency fluctuations, disruptions in maritime lanes, port labor disputes, and economic instability in the countries in which foreign suppliers are located, the financial instability of suppliers, suppliers' failure to meet our standards, issues with labor practices of our suppliers or labor problems they may experience (such as strikes, stoppages or slowdowns, which could also increase labor costs during and following the disruption), the availability and cost of raw materials to suppliers, increased import duties, merchandise quality or safety issues, currency exchange rates, transport availability and cost, transport security, inflation, and other factors relating to the suppliers and the countries in which they are located or from which they import, are beyond our control and could adversely affect our operations and profitability. While we are working to reduce our dependency on goods produced in China, a substantial amount of our imported merchandise still comes from China, and thus, a change in the Chinese leadership, internal economic stimulus actions, or currency or other policies could negatively impact our merchandise costs. In addition, the United States' foreign trade policies, tariffs and other impositions on imported goods, trade sanctions imposed on certain countries, the limitation on the importation of certain types of goods or of goods containing certain materials from other countries and other factors relating to foreign trade and port labor agreements are beyond our control. These and other factors affecting our suppliers and our access to products could adversely affect our business and financial performance. As we increase our imports of merchandise from foreign vendors, the risks associated with foreign imports will increase, and we may be exposed to additional risks as we increase imports of goods produced in countries other than China.

Product liability and food safety claims could adversely affect our business, reputation and financial performance.

Despite our best efforts to ensure the quality, safety and freshness of the products that we sell in all of our stores, we may be subject to product liability claims from customers or actions required or penalties assessed by government agencies relating to products, including but not limited to food products that are recalled, defective or otherwise alleged to be harmful. Such claims may result from tampering by unauthorized third parties, product contamination or spoilage, including the presence of foreign objects, substances, chemicals, other agents, or residues introduced during the growing, storage, handling and transportation phases. All of our vendors and their products must comply with applicable product and food safety laws, and we are dependent on them to ensure that the products we buy comply with all safety standards. We generally seek contractual indemnification and insurance coverage from our suppliers. However, if we do not have adequate contractual indemnification or insurance available, such claims could have a material adverse effect on our business, financial condition and results of operations. Our ability to obtain indemnification from foreign suppliers may be hindered by the manufacturers' lack of understanding of U.S. product liability or other laws, which may result in our having to respond to claims or complaints from customers as if we were the manufacturer. Even with adequate insurance and indemnification, such claims could significantly damage our reputation and consumer confidence in our products. Our litigation expenses could increase as well, which also could have a materially negative impact on our results of operations even if a product liability claim is unsuccessful or is not fully pursued.

We are subject to governmental regulations, procedures and requirements. A significant change in, or noncompliance with, these regulations could have a material adverse effect on our financial performance.

Our business is subject to numerous and increasing federal, state and local laws and regulations. We routinely incur significant costs in complying with these regulations. The complexity of the regulatory environment in which we operate and the related cost of compliance are increasing due to expanding and additional legal and regulatory requirements and increased enforcement efforts. New laws or regulations, particularly those dealing with healthcare reform, product safety, food safety, information security and privacy, and labor and employment, among others, or changes in existing laws and regulations, particularly those governing the sale of products, may result in significant added expenses or may require extensive system and operating changes that may be difficult to implement and/or could materially increase our cost of doing business. Untimely compliance or noncompliance with applicable regulations or untimely or incomplete execution of a required product recall, can result in the imposition of penalties, including loss of licenses or significant fines or monetary penalties, class action litigation or other litigation, in addition to reputational damage. Additionally, changes in tax laws, the interpretation of existing laws, or our failure to sustain our reporting positions on examination could adversely affect our effective tax rate.

Litigation may adversely affect our business, results of operations and financial condition.

Our business is subject to the risk of litigation by employees, consumers, suppliers, competitors, shareholders, government agencies and others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The number of employment-related class actions filed each year has continued to increase, and recent changes and proposed changes in Federal and state laws, regulations and agency guidance may cause claims to rise even more. The outcome of litigation, particularly class action lawsuits, regulatory actions and intellectual property claims, is difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to these lawsuits may remain unknown for substantial periods of time. In addition, certain of these lawsuits, if decided adversely to us or settled by us, may result in liability material to our financial statements as a whole or may negatively affect our operating results if changes to our business operations are required. The cost to defend future litigation may be significant. There also may be adverse publicity associated with litigation that could negatively affect customer perception of our business, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, litigation may adversely affect our business, results of operations and financial condition. See Note 8 to the consolidated financial statements for further details regarding certain of these pending matters.

Natural disasters (whether or not caused by climate change), unusual weather conditions, pandemic outbreaks, terrorist acts, and global political events could disrupt business and result in lower sales and otherwise adversely affect our financial performance.

The occurrence of one or more natural disasters, such as hurricanes, fires, floods, tornadoes and earthquakes, unusual weather conditions, pandemic outbreaks, terrorist acts or disruptive global political events, such as civil unrest in countries in which our suppliers are located, or similar disruptions could adversely affect our business and financial performance. Uncharacteristic or significant weather conditions can affect consumer shopping patterns, which could lead to lost sales or greater than expected markdowns and adversely affect our short-term results of operations. To the extent these events result in the closure of one or more of our distribution centers, a significant number of stores, or our corporate headquarters or impact one or more of our key suppliers, our operations and financial performance could be materially adversely affected through an inability to make deliveries or provide other support functions to our stores and through lost sales. In addition, these events could result in increases in fuel (or other energy) prices or a fuel shortage, delays in opening new stores, the temporary lack of an adequate work force in a market, the temporary or long-term disruption in the supply of products from some domestic and overseas suppliers, the temporary disruption in the transport of goods from overseas, delay in the delivery of goods to our distribution centers or stores, the inability of customers to reach or have transportation to our stores directly affected by such events, the temporary reduction in the availability of products in our stores and disruption of our utility services or to our information systems. These events also can have indirect consequences such as increases in the costs of insurance if they result in significant loss of property or other insurable damage.

Material damage or interruptions to our information systems as a result of external factors, staffing shortages or challenges or difficulties in maintaining or updating our existing technology or developing or implementing new technology could have a material adverse effect on our business or results of operations.

We depend on a variety of information technology systems for the efficient functioning of our business and are continually improving our information processes and computer systems to better run our business. These technology initiatives may not deliver desired results or may do so on a delayed schedule. Additionally, such systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, cybersecurity breaches, natural disasters and human error. Damage or interruption to these systems may require a significant investment to fix or replace them, and we may suffer interruptions in our operations in the interim, may experience loss or corruption of critical data and may receive negative publicity, all of which could have a material adverse effect on our business or results of operations.

We also rely heavily on our information technology staff. Failure to meet these staffing needs may negatively affect our ability to fulfill our technology initiatives while continuing to provide maintenance on existing systems. We rely on certain vendors to maintain and periodically upgrade many of these systems so that they can continue to support our business. The software programs supporting many of our systems were licensed to us by independent software developers. The inability of these developers or us to continue to maintain and upgrade these information systems and software programs would disrupt or reduce the efficiency of our operations if we were unable to convert to alternate systems in an efficient and timely manner. In addition, costs and potential problems and interruptions associated with the implementation of new or upgraded systems and technology or with maintenance or adequate support of existing systems could also disrupt or reduce the efficiency of our operations.

Failure to attract, train and retain qualified employees while controlling labor costs, as well as other labor issues, could adversely affect our financial performance.

Our future growth and performance and positive customer experience depends on our ability to attract, train, retain and motivate qualified employees, many of whom are in positions with historically high rates of turnover. Our ability to meet our labor needs, while controlling our labor costs, is subject to many external factors, including competition for and availability of qualified personnel in a given market, unemployment levels within those markets, prevailing wage rates, minimum wage laws, health and other insurance costs, and changes in employment and labor laws (including changes in the process for our employees to join a union) or other workplace regulations (including changes in "entitlement" programs such as health insurance and paid leave programs). If we are unable to attract and retain adequate numbers of qualified employees, our operations, customer service levels and support functions could suffer. To the extent a significant portion of our employee base unionizes, or attempts to unionize, our labor costs could increase. In addition, the fees and design changes required by comprehensive healthcare reform legislation will likely continue to increase our healthcare costs as the provisions of the legislation are being phased in over time and individuals determine how to respond. Our ability to pass along labor costs to our customers is constrained by our everyday low price model.

Our success depends on our executive officers and other key personnel. If we lose key personnel or are unable to hire additional qualified personnel, our business may be harmed.

Our future success depends to a significant degree on the skills, experience and efforts of our executive officers and other key personnel. The unexpected loss of the services of any of our executive officers could have an adverse effect on our operations. There can be no assurance that our executive succession planning, retention or hiring efforts will be successful. Competition for skilled and experienced management personnel is intense, and our future success will also depend on our ability to attract and retain qualified personnel, and a failure to attract and retain new qualified personnel could have an adverse effect on our operations. We do not currently maintain key person life insurance policies with respect to our executive officers or key personnel.

We have benefitted substantially from the leadership and performance of our Chairman and Chief Executive Officer, Richard W. Dreiling. As we have previously disclosed, Mr. Dreiling will retire on January 29, 2016. We are currently conducting a search for a new chief executive. We cannot provide any assurance that we will not experience a disruption in our executive management in connection with Mr. Dreiling's retirement or our transition to a new chief executive, which could adversely affect our strategic planning and execution.

Our cash flows from operations may be negatively affected if we are not successful in managing our inventory balances.

Our inventory balance represented approximately 49% of our total assets exclusive of goodwill and other intangible assets as of January 30, 2015. Efficient inventory management is a key component of our business success and profitability. To be successful, we must maintain sufficient inventory levels and an appropriate product mix to meet our customers' demands without allowing those levels to increase to such an extent that the costs to store and hold the goods unduly impacts our financial results or that subjects us to the risk of increased inventory shrinkage. If our buying decisions do not accurately predict customer trends, we inappropriately price products or our expectations about customer spending levels are inaccurate, we may have to take unanticipated markdowns to dispose of the excess inventory, which also can adversely impact our financial results. We continue to focus on ways to reduce these risks, but we cannot make assurances that we will be successful in our inventory management. If we are not successful in managing our inventory balances, our cash flows from operations may be negatively affected.

Because our business is seasonal to a certain extent, with the highest volume of net sales during the fourth quarter, adverse events during the fourth quarter could materially affect our financial statements as a whole.

We generally recognize our highest volume of net sales during the Christmas selling season, which occurs in the fourth quarter of our fiscal year. In anticipation of this holiday, we purchase substantial amounts of seasonal inventory. Adverse events, such as deteriorating economic conditions, high unemployment, high gas prices, public transportation disruptions, or unusual or unanticipated adverse weather could result in lower-than-planned sales during the holiday season. An excess of seasonal merchandise inventory could result if our net sales during the Christmas selling season fall below seasonal norms or expectations. If our fourth quarter sales results were substantially below expectations, our financial performance and operating results could be adversely affected by unanticipated markdowns, especially in seasonal merchandise.

Our current insurance program may expose us to unexpected costs and negatively affect our financial performance.

Our insurance coverage reflects deductibles, self-insured retentions, limits of liability and similar provisions that we believe are prudent based on the dispersion of our operations. However, there are types of losses we may incur but against which we cannot be insured or which we believe are not economically reasonable to insure, such as losses due to acts of war, employee and certain other crime, wage and hour and other employment-related claims, including class actions, and some natural disasters. If we incur these losses and they are material, our business could suffer. Certain material events may result in sizable losses for the insurance industry and adversely impact the availability of adequate insurance coverage or result in excessive premium increases. To offset negative insurance market trends, we may elect to self-insure, accept higher deductibles or reduce the amount of coverage in response to these market changes. In addition, we self-insure a significant portion of expected losses under our workers' compensation, automobile liability, general liability and group health insurance programs. Unanticipated changes in any applicable actuarial assumptions and management estimates underlying our recorded liabilities for these losses, including expected increases in medical and indemnity costs, could result in materially different expenses than expected under these programs, which could have a material adverse effect on our results of operations and financial condition. Although we continue to maintain property insurance for catastrophic events at our store support center and distribution centers, we are effectively self-insured for other property losses. If we experience a greater number of these losses than we anticipate, our financial performance could be adversely affected.

Any failure to maintain the security of information we hold relating to our customers, employees and vendors, whether as a result of cybersecurity attacks or otherwise, could expose us to litigation, government enforcement actions and costly response measures, and could materially disrupt our operations and harm our reputation.

In connection with sales, we transmit confidential credit and debit card information. We also have access to, collect or maintain certain private or confidential information regarding our customers, employees and vendors, as well as our business. We have procedures and technology in place to safeguard such data and information. To our knowledge, computer hackers have not gained significant access to the information stored in, or otherwise gained access to, our information and technology systems. However, cyberattacks are rapidly evolving and becoming increasingly sophisticated. Additionally, under certain circumstances, we may share information with vendors that assist us in conducting our business, as required by law, or with the permission of the individual. While we have implemented procedures to protect our information and require appropriate controls of our vendors, it is possible that computer hackers and others might compromise our security measures or those of our technology and other vendors in the future and obtain the personal information of our customers, employees and vendors that we hold or our business information.

Because we accept debit and credit cards for payment, we are subject to the Payment Card Industry Data Security Standards ("PCI DSS"), issued by the Payment Card Industry Security Standards Council. PCI DSS contains compliance guidelines and standards with regard to our security surrounding the physical and electronic storage, processing, and transmission of cardholder data. Complying with PCI DSS standards and implementing related procedures, technology and information security measures requires significant resources and ongoing attention. Even if we comply with PCI DSS standards, we may be vulnerable to, and unable to detect and appropriately respond to, data security breaches and data loss, including cyber-security attacks or other breach of cardholder data.

A security breach of any kind, which could be undetected for a period of time, or any failure by us to comply with the applicable privacy and information security laws, regulations and standards could expose us to risks of data loss, litigation, government enforcement actions and costly response measures (including, for example, credit monitoring services for affected customers, as well as further upgrades to our security measures) which may not be covered by our insurance policies, and could materially disrupt our operations. Any resulting negative media attention and publicity could significantly harm our reputation which could cause us to lose market share as a result of customers discontinuing the use of debit or credit cards in our stores or not shopping in our stores altogether and could have a material adverse effect on our business and financial performance.

Deterioration in market conditions or changes in our credit profile could adversely affect our ability to raise additional capital to fund our operations and limit our ability to pursue our growth strategy or other opportunities or to react to changes in the economy or our industry.

We obtain and manage liquidity from the positive cash flow we generate from our operating activities and our access to capital markets, including our credit facility. Changes in the credit and capital markets, including market disruptions, limited liquidity and interest rate fluctuations, may increase the cost of financing, make it more difficult to obtain favorable terms, or restrict our access to this source of future liquidity. There is no assurance that our ability to obtain additional financing through the capital markets will not be adversely impacted by economic conditions. Our debt securities currently have an investment grade rating, and a downgrade of this rating likely would make it more difficult or expensive for us to obtain additional financing and would increase the cost of borrowing under our credit facility, which could adversely affect our cash flow and limit our growth strategy or other opportunities or our ability to react to changes in the economy or our industry.

At January 30, 2015, we had total outstanding debt (including the current portion of long-term obligations) of approximately $2.74 billion. We also had an additional $821.5 million available for borrowing under our unsecured revolving credit facility. This level of debt could have important negative consequences to our business, including:

- requiring a substantial portion of our cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities, repurchase shares of our common stock, declare dividends on our common stock or otherwise manage our debt and capital levels;

- making it more difficult for us to raise additional capital to fund our operations and pursue our growth strategy, including by limiting our ability to obtain additional financing for working capital, capital expenditures and debt service requirements; and

- placing us at a disadvantage compared to our competitors who are less leveraged and may be better able to use their cash flow to fund competitive responses to changing industry, market or economic conditions.

Our debt agreements contain restrictions that could limit our flexibility in operating our business.

Our credit facilities and the indenture governing our notes contain various covenants that could limit our ability to engage in specified types of transactions. These covenants limit our and our subsidiaries' ability to, among other things:

- incur indebtedness of subsidiaries;

- create certain liens or encumbrances;

- merge, consolidate, sell or otherwise dispose of all or substantially all of our assets; and

- make any material change in the nature of our business.

We are also subject to specified financial ratio covenants under our credit facilities. Our ability to meet these financial ratios can be affected by events beyond our control, and we cannot assure you that we will meet these ratios and other covenants. A breach of any of these covenants could result in a default under the agreement governing such indebtedness and inability to borrow additional amounts under our revolving credit facility. Upon our failure to maintain compliance with these covenants, the lenders could elect to declare all amounts outstanding thereunder to be immediately due and payable and terminate all commitments to extend further credit thereunder. If the lenders under such indebtedness accelerate the repayment of borrowings, we cannot make assurances that we will have sufficient assets to repay those borrowings, as well as our other indebtedness, including our outstanding notes.

New accounting guidance or changes in the interpretation or application of existing accounting guidance could adversely affect our financial performance.

The implementation of proposed new accounting standards may require extensive systems, internal process and other changes that could increase our operating costs, and may also result in changes to our financial statements. In particular, the implementation of expected future accounting standards related to leases, as currently being contemplated by the convergence project between the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board ("IASB"), as well as the possible adoption of international financial reporting standards by U.S. registrants, could require us to make significant changes to our lease management, fixed asset, and other accounting systems, and, if implemented, are likely to result in significant changes to our financial statements.

U.S. generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business involve many subjective assumptions, estimates and judgments by our management. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments by our management could significantly change our reported or expected financial performance. The outcome of such changes could include litigation or regulatory actions which could have an adverse effect on our financial condition and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of February 27, 2015, we operated 11,879 retail stores located in 43 states as follows:

State	Number of Stores	State	Number of Stores
Alabama	629	Nebraska	91
Arizona	87	Nevada	24
Arkansas	344	New Hampshire	14
California	142	New Jersey	83
Colorado	32	New Mexico	76
Connecticut	26	New York	309
Delaware	37	North Carolina	633
Florida	710	Ohio	643
Georgia	675	Oklahoma	373
Illinois	421	Oregon	2
Indiana	416	Pennsylvania	520
Iowa	182	Rhode Island	2
Kansas	204	South Carolina	437
Kentucky	436	South Dakota	20
Louisiana	472	Tennessee	613
Maine	2	Texas	1,246
Maryland	105	Utah	7
Massachusetts	18	Vermont	26
Michigan	341	Virginia	321
Minnesota	48	West Virginia	189
Mississippi	389	Wisconsin	122
Missouri	412		

Most of our stores are located in leased premises. Individual store leases vary as to their terms, rental provisions and expiration dates. Many stores are subject to build-to-suit arrangements with landlords, which typically carry a primary lease term of up to 15 years with multiple renewal options. We also have stores subject to shorter-term leases and many of these leases have renewal options. A significant portion of our new stores are subject to build-to-suit arrangements.

As of February 27, 2015, we operated twelve distribution centers, as described in the following table:

Location	Year Opened	Approximate Square Footage	Number of Stores Served
Scottsville, KY	1959	720,000	800
Ardmore, OK	1994	1,310,000	1,414
South Boston, VA	1997	1,250,000	906
Indianola, MS	1998	820,000	873
Fulton, MO	1999	1,150,000	1,286
Alachua, FL	2000	980,000	1,019
Zanesville, OH	2001	1,170,000	1,145
Jonesville, SC	2005	1,120,000	1,113
Marion, IN	2006	1,110,000	1,193
Bessemer, AL	2012	940,000	1,065
Lebec, CA	2012	600,000	285
Bethel, PA	2014	1,000,000	780

We lease the distribution centers located in California, Oklahoma, Mississippi and Missouri and own the other eight distribution centers in the table above. Approximately 7.25 acres of the land on which our Kentucky distribution center is located is subject to a ground lease. As of January 30, 2015, we leased approximately 444,000 square feet of additional temporary warehouse space to support our distribution needs.

Our executive offices are located in approximately 302,000 square feet of owned buildings and approximately 56,000 square feet of leased office space in Goodlettsville, Tennessee.

ITEM 3. LEGAL PROCEEDINGS

The information contained in Note 8 to the consolidated financial statements under the heading "Legal proceedings" contained in Part II, Item 8 of this report is incorporated herein by this reference.

ITEM 4. MINE SAFETY DISCLOSURES

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding our current executive officers as of March 19, 2015 is set forth below. Each of our executive officers serves at the discretion of our Board of Directors and is elected annually by the Board to serve until a successor is duly elected. There are no familial relationships between any of our directors or executive officers.

Name	Age	Position
Richard W. Dreiling	61	Chairman and Chief Executive Officer
Todd J. Vasos	53	Chief Operating Officer
David M. Tehle	58	Executive Vice President and Chief Financial Officer
David W. D'Arezzo	56	Executive Vice President and Chief Merchandising Officer
John W. Flanigan	63	Executive Vice President, Global Supply Chain
Robert D. Ravener	56	Executive Vice President and Chief People Officer
Gregory A. Sparks	54	Executive Vice President, Store Operations
Rhonda M. Taylor	47	Executive Vice President and General Counsel
Anita C. Elliott	50	Senior Vice President and Controller

Mr. Dreiling joined Dollar General in January 2008 as Chief Executive Officer and a member of our Board. He was appointed Chairman of the Board on December 2, 2008. As previously announced, Mr. Dreiling plans to retire from Dollar General effective January 29, 2016. Prior to joining Dollar General, Mr. Dreiling served as Chief Executive Officer, President and a director of Duane Reade Holdings, Inc. and Duane Reade Inc., the largest drugstore chain in New York City, from November 2005 until January 2008 and as Chairman of the Board of Duane Reade from March 2007 until January 2008. Prior to that, Mr. Dreiling, beginning in March 2005, served as Executive Vice President Chief Operating Officer of Longs Drug Stores Corporation, a retail drugstore chain on the West Coast and in Hawaii, after having joined Longs in July 2003 as Executive Vice President and Chief Operations Officer. From 2000 to 2003, Mr. Dreiling served as Executive Vice President Marketing, Manufacturing and Distribution at Safeway Inc., a food and drug retailer. Prior to that, Mr. Dreiling served from 1998 to 2000 as President of Vons, a Southern California food and drug division of Safeway. He currently serves as the Chairman of the Retail Industry Leaders Association (RILA). Mr. Dreiling is a director of Lowe's Companies, Inc.

Mr. Vasos joined Dollar General in December 2008 as Executive Vice President, Division President and Chief Merchandising Officer. He was promoted to Chief Operating Officer in November 2013. Prior to joining Dollar General, Mr. Vasos served in executive positions with Longs Drug Stores Corporation for 7 years, including Executive Vice President and Chief Operating Officer (February 2008 through November 2008) and Senior Vice President and Chief Merchandising Officer (2001 - 2008), where he was responsible for all pharmacy and front-end marketing, merchandising, procurement, supply chain, advertising, store development, store layout and space allocation, and the operation of three distribution centers. He also previously served in leadership positions at Phar-Mor Food and Drug Inc. and Eckerd Corporation.

Mr. Tehle joined Dollar General in June 2004 as Executive Vice President and Chief Financial Officer. As previously announced, Mr. Tehle plans to retire from Dollar General effective July 1, 2015. He served from 1997 to June 2004 as Executive Vice President and Chief Financial Officer of Haggar Corporation, a manufacturing, marketing and retail corporation. From 1996 to 1997, he was Vice President of Finance for a division of The Stanley Works, one of the world's largest manufacturers of tools, and from 1993 to 1996, he was Vice President and Chief Financial Officer of Hat Brands, Inc., a hat manufacturer. Earlier in his career, Mr. Tehle served in a variety of financial-related roles at Ryder System, Inc. and Texas Instruments Incorporated. Mr. Tehle is a director of Jack in the Box Inc.

Mr. D'Arezzo joined Dollar General in November 2013 as Executive Vice President and Chief Merchandising Officer. Prior to Dollar General, from May 2008 until August 2013, Mr. D'Arezzo served as Executive Vice President and Chief Operating Officer of Grocers Supply Co., Inc., the largest independent wholesaler in the southern United States, serving over 800 supermarkets with a full-line of products for resale. In this role, he was responsible for all functions and the running of the wholesale business. From 2006 to 2008, he served as Senior Vice President and Chief Marketing Officer of Duane Reade, Inc., the largest drugstore chain in New York City, and as its Interim Chief Executive Officer for four months in 2008. Prior to Duane Reade, he served as Chief Operating Officer of Raley's Family of Stores, Northern California's premier supermarket operating 120 stores in three western states, from 2003 to 2005. From 2002 to 2003, he served as Executive Vice President of Merchandising and Replenishment at Office Depot, Inc., a global supplier of office products and services. From 1994 to 2002, Mr. D'Arezzo held various positions at Wegmans Food Market, a supermarket operator, including Senior Vice President of Merchandising (1998 - 2002), Division Manager (1997) and Group Manager (1994 - 1996). He worked as Vice President of Sales at DNA Plant Technology, a biotechnology start-up company, in 1994. He also held various positions at PepsiCo, Inc. from 1989 to 1993, including Business Development Manager, Area Marketing Manager, Brand Manager Diet Pepsi and New Products Assistant Marketing Manager.

Mr. Flanigan joined Dollar General as Senior Vice President, Global Supply Chain in May 2008. He was promoted to Executive Vice President in March 2010. He has almost 30 years of management experience in retail logistics. Prior to joining Dollar General, he was Group Vice President of Logistics and Distribution for Longs Drug Stores Corporation, an operator of a chain of retail drug stores on the West Coast and Hawaii, from October 2005 to April 2008. In this role, he was responsible for overseeing warehousing, inbound and outbound transportation and facility maintenance to service over 500 retail outlets. From September 2001 to October 2005, he served as the Vice President of Logistics for Safeway Inc., a food and drug retailer, where he oversaw distribution of food products from Safeway distribution centers to all retail outlets, inbound traffic and transportation. He also has held distribution and logistics leadership positions at Vons a Safeway company, Specialized Distribution Management Inc., and Crum & Crum Logistics.

Mr. Ravener joined Dollar General as Senior Vice President and Chief People Officer in August 2008. He was promoted to Executive Vice President in March 2010. Prior to joining Dollar General, he served in human resources executive roles with Starbucks Corporation, a roaster, marketer and retailer of specialty coffee, from September 2005 until August 2008 as the Senior Vice President of U.S. Partner Resources and, prior to that, as the Vice President, Partner Resources Eastern Division. As the Senior Vice President of U.S. Partner Resources at Starbucks, Mr. Ravener oversaw all aspects of human resources activity for more than 10,000 stores. Prior to serving at Starbucks, Mr. Ravener held Vice President of Human Resources roles for The Home Depot Inc., a home improvement retailer, at its Store Support Center and a domestic field division from April 2003 to September 2005. Mr. Ravener also served in executive roles in both human resources and operations at Footstar, Inc. and roles of increasing leadership at PepsiCo, Inc.

Mr. Sparks joined Dollar General in March 2012 as Executive Vice President of Store Operations. Prior to joining Dollar General, Mr. Sparks served as Division President, Seattle Division, for Safeway Inc., a food and drug retailer, a role he had held since 2001. As Division President of the Seattle Division, Mr. Sparks was responsible for the supervision of approximately 200 stores and approximately 23,000 employees in the northwest region and oversaw real estate, finance and operations of the Seattle Division. Mr. Sparks has 38 years of retail experience including a 34-year career with Safeway where he held roles of increasing responsibility including merchandising manager (1987), category manager (1987 - 1990), divisional director of merchandising, grocery and general merchandise (1990 - 1997) and divisional vice president of marketing (1997 - 2001).

Ms. Taylor has served as Executive Vice President and General Counsel since March 17, 2015. She joined Dollar General as an Employment Attorney in March 2000 and was subsequently promoted to Senior Employment Attorney in 2001, Deputy General Counsel in 2004, Vice President and Assistant General Counsel in March 2010, and Senior Vice President and General Counsel in June 2013. Prior to joining Dollar General, she practiced law with Ogletree, Deakins, Nash, Smoak & Stewart, P.C., where she specialized in labor law and employment litigation. She has also held attorney positions with Ford & Harrison LLP and Stokes & Bartholomew.

Ms. Elliott joined Dollar General as Senior Vice President and Controller in August 2005. Prior to joining Dollar General, she served as Vice President and Controller of Big Lots, Inc., a closeout retailer, from May 2001 to August 2005. Overseeing a staff of 140 employees at Big Lots, she was responsible for accounting operations, financial reporting and internal audit. Prior to serving at Big Lots, she served as Vice President and Controller for Jitney-Jungle Stores of America, Inc., a grocery retailer, from April 1998 to March 2001. At Jitney-Jungle, Ms. Elliott was responsible for the accounting operations and the internal and external financial reporting functions. Prior to serving at Jitney-Jungle, she practiced public accounting for 12 years, 6 of which were with Ernst & Young LLP.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is traded on the New York Stock Exchange under the symbol "DG." The high and low sales prices during each quarter in fiscal 2014 and 2013 were as follows:

2014	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
High	$ 61.18	$ 65.99	$ 65.10	$ 71.78
Low	$ 54.43	$ 53.00	$ 55.48	$ 62.50

2013	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
High	$ 53.00	$ 55.82	$ 59.87	$ 62.93
Low	$ 43.35	$ 48.61	$ 52.40	$ 55.08

On March 12, 2015, our stock price at the close of the market was $74.28 and there were approximately 1,922 shareholders of record of our common stock.

Dividends

On March 10, 2015, our Board of Directors declared a quarterly cash dividend of $0.22 per share, to be paid on April 22, 2015 to shareholders of record of our common stock on April 8, 2015. Prior to March 2015, we had not declared or paid recurring dividends since March 2007. While the Board intends to continue regular quarterly cash dividends, the declaration and payment of future cash dividends are subject to the Board's discretion based on an evaluation of our earnings performance, financial condition, capital needs and other relevant factors.

Issuer Purchases of Equity Securities

The following table contains information regarding purchases of our common stock made during the quarter ended January 30, 2015 by or on behalf of Dollar General or any "affiliated purchaser," as defined by Rule 10b-18(a)(3) of the Securities Exchange Act of 1934:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(a)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(a)
11/01/14 - 11/30/14		$		$ 223,417,000
12/01/14 - 12/31/14		$		$ 223,417,000
01/01/15 - 01/30/15		$		$ 223,417,000
Total		$		$ 223,417,000

(a) A $500 million share repurchase program was publicly announced on September 5, 2012, and increases in the authorization under such program were announced on March 25, 2013 ($500 million increase) and December 5, 2013 ($1.0 billion increase). Under the authorization, purchases may be made in the open market or in privately negotiated transactions from time to time subject to market and other conditions. This repurchase authorization has no expiration date. The share repurchase program was further increased on March 10, 2015 ($1.0 billion increase), but such increase is not reflected in the table above as it was not in effect at the end of the 2014 fiscal year.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial information of Dollar General Corporation as of the dates and for the periods indicated. The selected historical statement of operations data and statement of cash flows data for the fiscal years ended January 30, 2015, January 31, 2014, and February 1, 2013 and balance sheet data as of January 30, 2015 and January 31, 2014, have been derived from our historical audited consolidated financial statements included elsewhere in this report. The selected historical statement of operations data and statement of cash flows data for the fiscal years ended February 3, 2012 and January 28, 2011 and balance sheet data as of February 1, 2013, February 3, 2012, and January 28, 2011 presented in this table have been derived from audited consolidated financial statements not included in this report.

The information set forth below should be read in conjunction with, and is qualified by reference to, the Consolidated Financial Statements and related notes included in Part II, Item 8 of this report and the Management's Discussion and Analysis of Financial Condition and Results of Operations included in Part II, Item 7 of this report.

(Amounts in millions, excluding per share data, number of stores, selling square feet, and net sales per square foot)	Year Ended January 30, 2015	January 31, 2014	February 1, 2013	February 3, 2012(1)	January 28, 2011
Statement of Operations Data:					
Net sales	$ 18,909.6	$ 17,504.2	$ 16,022.1	$ 14,807.2	$ 13,035.0
Cost of goods sold	13,107.1	12,068.4	10,936.7	10,109.3	8,858.4
Gross profit	5,802.5	5,435.7	5,085.4	4,697.9	4,176.6
Selling, general and administrative expenses	4,033.4	3,699.6	3,430.1	3,207.1	2,902.5
Operating profit	1,769.1	1,736.2	1,655.3	1,490.8	1,274.1
Interest expense	88.2	89.0	127.9	204.9	274.0
Other (income) expense		18.9	30.0	60.6	15.1
Income before income taxes	1,680.9	1,628.3	1,497.4	1,225.3	985.0
Income tax expense	615.5	603.2	544.7	458.6	357.1
Net income	$ 1,065.3	$ 1,025.1	$ 952.7	$ 766.7	$ 627.9
Earnings per share basic	$ 3.50	$ 3.17	$ 2.87	$ 2.25	$ 1.84
Earnings per share diluted	3.49	3.17	2.85	2.22	1.82
Dividends per share					
Statement of Cash Flows Data:					
Net cash provided by (used in):					
Operating activities	$ 1,314.7	$ 1,213.1	$ 1,131.4	$ 1,050.5	$ 824.7
Investing activities	(371.7)	(250.0)	(569.8)	(513.8)	(418.9)
Financing activities	(868.8)	(598.3)	(546.8)	(908.0)	(130.4)
Total capital expenditures	(374.0)	(538.4)	(571.6)	(514.9)	(420.4)
Other Financial and Operating Data:					
Same store sales growth(2)	2.8%	3.3%	4.7%	6.0%	4.9%
Same store sales(2)	$ 17,818.7	$ 16,365.5	$ 14,992.7	$ 13,626.7	$ 12,227.1
Number of stores included in same store sales calculation	11,052	10,387	9,783	9,254	8,712
Number of stores (at period end)	11,789	11,132	10,506	9,937	9,372
Selling square feet (in thousands at period end)	87,205	82,012	76,909	71,774	67,094
Net sales per square foot(3)	$ 223	$ 220	$ 216	$ 213	$ 201
Consumables sales	75.7%	75.2%	73.9%	73.2%	71.6%
Seasonal sales	12.4%	12.9%	13.6%	13.8%	14.5%
Home products sales	6.4%	6.4%	6.6%	6.8%	7.0%
Apparel sales	5.5%	5.5%	5.9%	6.2%	6.9%
Rent expense	$ 785.2	$ 686.9	$ 614.3	$ 542.3	$ 489.3
Balance Sheet Data (at period end):					
Cash and cash equivalents and short-term investments	$ 579.8	$ 505.6	$ 140.8	$ 126.1	$ 497.4
Total assets	11,224.1	10,867.5	10,367.7	9,688.5	9,546.2
Long-term debt	2,740.6	2,818.8	2,772.2	2,618.5	3,288.2
Total shareholders' equity	5,710.0	5,402.2	4,985.3	4,674.6	4,063.6

(1) The fiscal year ended February 3, 2012 was comprised of 53 weeks.

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(2)
Same-store sales are calculated based upon stores that were open at least 13 full fiscal months and remain open at the end of the reporting period. We include stores that have been remodeled, expanded or relocated in our same-store sales calculation. When applicable, we exclude the sales in the non-comparable week of a 53-week year from the same-store sales calculation.

(3)
Net sales per square foot was calculated based on total sales for the preceding 12 months as of the ending date of the reporting period divided by the average selling square footage during the period, including the end of the fiscal year, the beginning of the fiscal year, and the end of each of our three interim fiscal quarters.

	Year Ended				
	January 30, 2015	**January 31, 2014**	**February 1, 2013**	**February 3, 2012**	**January 28, 2011**
Ratio of earnings to fixed charges(1):	4.4x	4.7x	4.7x	3.8x	3.1x

(1)
For purposes of computing the ratio of earnings to fixed charges, (a) earnings consist of income (loss) before income taxes, plus fixed charges less capitalized expenses related to indebtedness (amortization expense for capitalized interest is not significant) and (b) fixed charges consist of interest expense (whether expensed or capitalized), the amortization of debt issuance costs and discounts related to indebtedness, and the interest portion of rent expense.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis should be read with, and is qualified in its entirety by, the Consolidated Financial Statements and the notes thereto. It also should be read in conjunction with the Cautionary Disclosure Regarding Forward-Looking Statements and the Risk Factors disclosures set forth in the Introduction and in Item 1A of this report, respectively.

Executive Overview

We are the largest discount retailer in the United States by number of stores, with 11,879 stores located in 43 states as of February 27, 2015, primarily in the southern, southwestern, midwestern and eastern United States. We offer a broad selection of merchandise, including consumable products such as food, paper and cleaning products, health and beauty products and pet supplies, and non-consumable products such as seasonal merchandise, home decor and domestics, and basic apparel. We completed our first full year of tobacco product sales in 2014, with favorable impacts on our net sales and same store sales. Our merchandise includes high quality national brands from leading manufacturers, as well as comparable quality private brand selections with prices at substantial discounts to national brands. We offer our customers these national brand and private brand products at everyday low prices (typically $10 or less) in our convenient small-box (small store) locations.

The customers we serve are value-conscious, many with low or fixed incomes, and Dollar General has always been intensely focused on helping them make the most of their spending dollars. We believe our convenient store format and broad selection of high quality products at compelling values have driven our substantial growth and financial success over the years. Like other retailers, we have been operating for several years in an environment with ongoing macroeconomic challenges and uncertainties. In addition, our core customer faces multiple macroeconomic headwinds, from fluctuating food and energy costs to rising and uncertain medical costs, and the timetable and strength of economic recovery remains uncertain. During the latter part of 2014, our customer has experienced some general economic tailwinds, such as lower gasoline prices and improving employment rates; however, the duration of these effects is still unknown.

We are keenly focused on executing our four primary operating priorities, which are: 1) drive productive sales growth, 2) enhance our gross profit margins, 3) leverage process improvements and information technology to reduce costs, and 4) strengthen and expand Dollar General's culture of serving others.

Our first priority is driving productive sales growth, which includes increasing shopper frequency, item unit sales and transaction amount. In 2014, sales in same-stores increased by 2.8% over 2013 levels due to increases in both traffic and average transaction. Successful sales growth initiatives in 2014 included completion of the first full year of sales relating to the chain-wide rollout of tobacco products and the expansion of our limited scope store remodeling efforts, which optimized shelf space in many of our older, smaller stores and in many cases, increased the number of coolers for refrigerated and frozen foods and beverages. We remodeled and relocated a total of 915 stores during the year. We continued to meet the affordability needs of our core customer by renewing our focus on $1 to $5 items, as more than 75% of our SKUs at year-end were items priced at $5 or less. We also experienced the successful launch of our DG Digital Coupons program. Similar to the preceding two years, inflation had a very modest impact on our sales in 2014. In addition to same-store sales growth, we opened 700 new stores.

Our second priority is to enhance our gross profit rate. The full year of sales of tobacco products in 2014 has driven increased customer traffic as planned, although the addition of tobacco products and an increased proportion of sales of perishables have lowered the gross profit rate. An increase in markdowns, an increase in the LIFO provision and supply chain disruption due to the longshoreman labor dispute on the U.S. west coast all contributed to a decrease in our overall gross profit rate in 2014. We believe that both tobacco and perishables are significant drivers of customer traffic that should lead to increases in average purchase amount. We expect the improvement in our net sales from these initiatives will outweigh the corresponding reduction in our gross profit rate. In addition, we have ongoing efforts to reduce product costs including shrink reduction, effective category management, utilization of private brands, distribution and transportation efficiencies and additional improvements to our pricing and markdown business model, among others, while remaining committed to our everyday low price strategy. In our consumables category, we strive to offer the optimal balance of the most popular nationally advertised brands and our own private brands, which generally have higher gross profit rates than national brands. We believe that our core customer is continuing to seek out and purchase goods at entry level price points and is doing so with greater frequency. To this end, we increased our offering of $1 food items and the number of offerings from our Smart & Simple brand. Commodities cost inflation was minimal in 2014 and, in some instances, we experienced a decrease in such costs. Accordingly, overall price increases passed through to our customers were minimal. We have seen positive results from our home and apparel segments, and remain committed to all of our non-consumables categories, including seasonal. We expect the growth of consumables to continue to outpace the non-consumables categories again in 2015, albeit to a lesser degree than in recent years, due in part to the anticipated continued economic pressures discussed above.

Our third priority is leveraging process improvements and information technology to reduce costs. We are committed as an organization to reduce costs, particularly selling, general and administrative expenses ("SG&A") that do not affect the customer experience. In 2014, our financial results reflect a significant increase in incentive compensation expense, as the 2013 threshold financial performance level required under our annual cash incentive compensation program was not met. Additionally, rent and utilities costs contributed to the increase in SG&A. Conversely, we again successfully lowered our store labor costs as a percentage of sales, in part, by simplifying various tasks performed in the stores. Going forward, we will continue to simplify or eliminate unnecessary work and optimize labor in our stores and elsewhere in the company. Additional items that were lower as a percentage of sales include workers' compensation and general liability expenses.

Our fourth priority is to strengthen and expand Dollar General's culture of serving others. For customers this means helping them "Save time. Save money. Every day!" by providing clean, well-stocked stores with quality products at low prices. For employees, this means creating an environment that attracts and retains key employees throughout the organization. For the public, this means giving back to our store communities through our charitable and other efforts. For shareholders, this means meeting their expectations of an efficiently and profitably run organization that operates with compassion and integrity.

Our continued focus on these four priorities, coupled with strong cash flow management and share repurchases, resulted in solid overall operating and financial performance in 2014 as compared to 2013 as follows. Basis points, as referred to below, are equal to 0.01 percent of total sales.

- Net sales in 2014 increased 8.0% over 2013. Sales in same-stores increased 2.8%, with increases in both customer traffic and average transaction amount. Consumables represented 76% of sales in 2014 and drove 82% of the total increase. Departments with the most significant increases were tobacco, perishables and candy and snacks. Average sales per square foot in 2014 were $223, up from $220 in 2013.

- Operating profit increased 1.9% to $1.77 billion, or 9.4% of sales, compared to $1.74 billion, or 9.9% of sales in 2013. The decrease in our operating profit rate was attributable to a 36 basis-point decrease in our gross profit rate, coupled with a 19 basis-point increase in SG&A.

Our gross profit rate declined by 36 basis points due primarily to an increase in promotional markdowns, and in addition, sales of lower margin items increased at a proportionally higher rate than sales of higher margin items.

The increase in SG&A, as a percentage of sales, was due primarily to a significant increase in incentive compensation expense as well as an increase in rent expense; partially offset by efficiencies relating to store labor costs. For other factors, see the detailed discussion that follows.

Interest expense was relatively constant, decreasing by $0.8 million in 2014 to $88.2 million. Total long-term obligations as of January 30, 2015 were $2.74 billion.

We reported net income of $1.07 billion, or $3.49 per diluted share, for 2014, compared to net income of $1.03 billion, or $3.17 per diluted share, for 2013. Stock repurchase activity during 2013 and 2014 contributed to the increase in diluted earnings per share.

We generated approximately $1.31 billion of cash flows from operating activities in 2015, an increase of 8.4% compared to 2013. We primarily utilized our cash flows from operating activities to invest in the growth of our business and repurchase our common stock.

Inventory turnover was 4.8 times on a rolling four-quarter basis. Inventories increased 2.9% on a per store basis over 2013.

During 2014 we opened 700 new stores, remodeled or relocated 915 stores, and closed 43 stores.

Also in 2014, we repurchased approximately 14.1 million shares of our outstanding common stock for $800.1 million.

In 2015, we plan to continue to focus on our four key operating priorities. We expect our sales growth in 2015 to again be driven by consumables as we expect our customer to continue to face economic challenges, although we are optimistic recent economic tailwinds may encourage our customer to purchase more non-consumable items. We plan to focus our efforts on effectively serving our core customers' needs by providing them with the selection they want at the right price points in 2015.

We made progress in 2014 on implementing an improved supply chain solution to assist in promotional and core inventory forecasting and ordering. We expect to make further progress in 2015, and we expect that eventually all of our SKUs will be managed through this solution. The supply chain solution is helping us improve our ordering processes in the stores and has contributed to our work simplification efforts and improvements in maintaining efficient inventory levels. We believe we have additional opportunities for work simplification and optimization of store labor in 2015.

We are pleased with the performance of our 2014 new stores, remodels and relocations, and in 2015 we plan to open 730 new stores and to remodel or relocate 875 stores.

Finally, we plan to continue to repurchase shares of our common stock in 2015 as well as initiate quarterly cash dividends, subject to Board discretion, to further enhance shareholder return.

Key Financial Metrics. We have identified the following as our most critical financial metrics:

Same-store sales growth;

Sales per square foot;

Gross profit, as a percentage of sales;

Selling, general and administrative expenses, as a percentage of sales;

Operating profit;

Cash flow;

Net income;

Earnings per share;

Earnings before interest, income taxes, depreciation and amortization;

Return on invested capital; and

Adjusted debt to Earnings before interest, income taxes, depreciation and amortization and rent expense.

Readers should refer to the detailed discussion of our operating results below for additional comments on financial performance in the current year periods as compared with the prior year periods.

Results of Operations

Accounting Periods. The following text contains references to years 2014, 2013, and 2012, which represent fiscal years ended January 30, 2015, January 31, 2014, and February 1, 2013, respectively. Our fiscal year ends on the Friday closest to January 31. All fiscal years were 52-week accounting periods.

Seasonality. The nature of our business is seasonal to a certain extent. Primarily because of sales of holiday-related merchandise, sales in our fourth quarter (November, December and January) have historically been higher than sales achieved in each of the first three quarters of the fiscal year. Expenses, and to a greater extent operating profit, vary by quarter. Results of a period shorter than a full year may not be indicative of results expected for the entire year. Furthermore, the seasonal nature of our business may affect comparisons between periods.

The following table contains results of operations data for fiscal years 2014, 2013 and 2012, and the dollar and percentage variances among those years.

(amounts in millions, except per share amounts)	2014	2013	2012	2014 vs. 2013 Amount Change	2014 vs. 2013 % Change	2013 vs. 2012 Amount Change	2013 vs. 2012 % Change
Net sales by category:							
Consumables	$ 14,321.1	$ 13,161.8	$ 11,844.8	$ *1,159.3*	*8.8%*	$ *1,317.0*	*11.1%*
% of net sales	*75.73%*	*75.19%*	*73.93%*				
Seasonal	2,345.0	2,259.5	2,172.4	*85.5*	*3.8*	*87.1*	*4.0*
% of net sales	*12.40%*	*12.91%*	*13.56%*				
Home products	1,205.4	1,115.6	1,061.6	*89.7*	*8.0*	*54.1*	*5.1*
% of net sales	*6.37%*	*6.37%*	*6.63%*				
Apparel	1,038.1	967.2	943.3	*71.0*	*7.3*	*23.9*	*2.5*
% of net sales	*5.49%*	*5.53%*	*5.89%*				
Net sales	$ 18,909.6	$ 17,504.2	$ 16,022.1	$ *1,405.4*	*8.0%*	$ *1,482.0*	*9.2%*
Cost of goods sold	13,107.1	12,068.4	10,936.7	*1,038.7*	*8.6*	*1,131.7*	*10.3*
% of net sales	*69.31%*	*68.95%*	*68.26%*				
Gross profit	5,802.5	5,435.7	5,085.4	*366.8*	*6.7*	*350.3*	*6.9*
% of net sales	*30.69%*	*31.05%*	*31.74%*				
Selling, general and administrative expenses	4,033.4	3,699.6	3,430.1	*333.9*	*9.0*	*269.4*	*7.9*
% of net sales	*21.33%*	*21.14%*	*21.41%*				
Operating profit	1,769.1	1,736.2	1,655.3	*32.9*	*1.9*	*80.9*	*4.9*
% of net sales	*9.36%*	*9.92%*	*10.33%*				
Interest expense	88.2	89.0	127.9	*(0.8)*	*(0.8)*	*(38.9)*	*(30.4)*
% of net sales	*0.47%*	*0.51%*	*0.80%*				
Other (income) expense		18.9	30.0	*(18.9)*	*(100.0)*	*(11.1)*	*(37.0)*
% of net sales	*0.00%*	*0.11%*	*0.19%*				
Income before income taxes	1,680.9	1,628.3	1,497.4	*52.5*	*3.2*	*130.9*	*8.7*
% of net sales	*8.89%*	*9.30%*	*9.35%*				
Income taxes	615.5	603.2	544.7	*12.3*	*2.0*	*58.5*	*10.7*
% of net sales	*3.26%*	*3.45%*	*3.40%*				
Net income	$ 1,065.3	$ 1,025.1	$ 952.7	$ *40.2*	*3.9%*	$ *72.5*	*7.6%*
% of net sales	*5.63%*	*5.86%*	*5.95%*				
Diluted earnings per share	$ 3.49	$ 3.17	$ 2.85	$ *0.32*	*10.1%*	$ *0.32*	*11.2%*

Net Sales. The net sales increase in 2014 reflects a same-store sales increase of 2.8% compared to 2013. For 2014, there were 11,052 same-stores which accounted for sales of $17.82 billion. Same-stores include stores that have been open for at least 13 months and remain open at the end of the reporting period. Changes in same-store sales are calculated based on the comparable calendar weeks in the prior year, and include stores that have been remodeled, expanded or relocated. The remainder of the increase in sales in 2014 was attributable to new stores, partially offset by sales from closed stores. The increase in sales reflects increased customer traffic and average transaction amounts resulting from the refinement of the Company's merchandise offerings, including a full year's sales of tobacco products, the expansion of perishables, and enhanced utilization of store square footage. Increases in sales of consumables outpaced our non-consumables, with sales of tobacco products, perishables, and candy and snacks contributing the majority of the increase in sales of consumables.

The net sales increase in 2013 reflects a same-store sales increase of 3.3% compared to 2012. For 2013, there were 10,387 same-stores which accounted for sales of $16.37 billion. The remainder of the increase in sales in 2013 was attributable to new stores, partially offset by sales from closed stores. The increase in sales reflects increased customer traffic and average transaction amounts. Increases in sales of consumables outpaced our non-consumables, with sales of tobacco products, perishables, and candy and snacks contributing the majority of the increase. Tobacco was added in the stores primarily during the first and second quarters of 2013. The expansion of coolers for perishables in over 1,600 existing stores was completed in the first half of the year while other initiatives, including space optimization in many of our smaller stores, were implemented throughout the year.

Of our four major merchandise categories, the consumables category, which generally has a lower gross profit rate than the other three categories, has grown most significantly over the past several years. Because of the impact of sales mix on gross profit, we continually review our merchandise mix and strive to adjust it when appropriate.

Gross Profit. The gross profit rate as a percentage of sales was 30.7% in 2014 compared to 31.1% in 2013. Gross profit increased by 6.7% in 2014, and as a percentage of sales, decreased by 36 basis points. The most significant factor affecting the gross profit rate was an increase in markdowns, primarily due to increased promotions driven by competitive pressures. In addition, we are experiencing an ongoing trend of consumables comprising a larger portion of our net sales, primarily as the result of increased sales of lower margin consumables including tobacco products and expanded perishables offerings. These factors were partially offset by higher initial inventory markups. We recorded a LIFO provision of $4.2 million in 2014 compared to a LIFO benefit of $11.0 million in 2013.

The gross profit rate as a percentage of sales was 31.1% in 2013 compared to 31.7% in 2012. Gross profit increased by 6.9% in 2013, and as a percentage of sales, decreased by 69 basis points. The majority of the gross profit rate decrease in 2013 as compared to 2012 was due to consumables comprising a larger portion of our net sales, primarily as the result of increased sales of lower margin consumables which contributed to lower initial inventory markups. In addition, we experienced a higher inventory shrinkage rate, partially attributable to the addition of certain consumable products with relatively higher retail prices. These factors were partially offset by a reduction in net purchase costs on certain products. The Company recorded a LIFO benefit of $11.0 million in 2013 compared to a LIFO provision of $1.4 million in 2012.

SG&A Expense. SG&A expense was 21.3% as a percentage of sales in 2014 compared to 21.1% in 2013, an increase of 19 basis points. The results reflect a significant increase in incentive compensation expense, as our prior year 2013 financial performance did not satisfy certain performance requirements under our cash incentive compensation program. The 2014 results also reflect increases in rent and utilities. Partially offsetting these increased costs were retail labor expense, which increased at a rate lower than our increase in sales, the introduction of convenience fees charged to customers for cash back on debit card transactions, and a reduction in workers' compensation and general liability expenses. The 2014 period included expenses of $14.3 million relating to an attempted acquisition, while the 2013 results include expenses of $8.5 million for a legal settlement of a previously decertified collective action.

SG&A expense was 21.1% as a percentage of sales in 2013 compared to 21.4% in 2012, an improvement of 27 basis points. We had a significant decrease in incentive compensation expense, as 2013 financial performance did not satisfy certain performance requirements under our cash incentive compensation program. Retail labor expense increased at a rate lower than our increase in sales. Declines in workers' compensation and general liability expenses also contributed to the overall decrease in SG&A expense as a percentage of sales. The above items were partially offset by certain costs that increased from 2012 to 2013 at a rate higher than our increase in sales, including depreciation and amortization and fees associated with the increased volume of customer purchases transacted with debit cards.

Interest Expense. Interest expense remained relatively constant in 2014 compared to 2013. See the detailed discussion under "Liquidity and Capital Resources" regarding the financing of various long-term obligations and the related effect on interest expense in the periods presented.

The decrease in interest expense in 2013 compared to 2012 is due to lower all-in interest rates primarily resulting from the completion of a refinancing in April 2013.

We had outstanding variable-rate debt of $62.0 million and $139.5 million as of January 30, 2015 and January 31, 2014, respectively, after taking into consideration the impact of interest rate swaps. The remainder of our outstanding indebtedness at January 30, 2015 and January 31, 2014 was fixed rate debt.

Other (Income) Expense. In 2013, we recorded pretax losses of $18.9 million resulting from the termination of our senior secured credit facilities. In 2012, we recorded pretax losses of $29.0 million resulting from the redemption of $450.7 million aggregate principal amount of our senior subordinated notes due 2017 plus accrued and unpaid interest.

Income Taxes. The effective income tax rates for 2014, 2013, and 2012 were expenses of 36.6%, 37.0%, and 36.4%, respectively.

The effective income tax rate for 2014 was 36.6% compared to a rate of 37.0% for 2013 which represents a net decrease of 0.4 percentage points. The effective income tax rate decreased from 2013 due principally to the favorable resolution of state income tax examinations and other state income tax reserves, which increased by a lesser amount in 2014 compared to 2013. As in prior years, we receive a significant income tax benefit related to wages paid to certain newly hired employees that qualify for federal jobs credits (principally the Work Opportunity Tax Credit or "WOTC"). The federal law authorizing the WOTC credit has expired for employees hired after December 31, 2014. In the past, when these credit provisions have expired, Congress has reenacted the law on a retroactive basis. It is uncertain as to whether (or when) WOTC credits will be retroactively renewed in this instance. The Company will receive credits in future periods for employees hired on or before December 31, 2014; however, the future period credit received will be significantly lower than what has been recognized in 2014 and prior years without WOTC reenactment.

The effective income tax rate for 2013 was 37.0% compared to a rate of 36.4% for 2012 which represents a net increase of 0.6 percentage points. The 2012 amounts were favorably impacted by the resolution of income tax examinations that did not reoccur, to the same extent, in 2013. This effective tax rate increase was partially offset by the recording of an income tax benefit in 2013 associated with the expiration of the assessment period during which the taxing authorities could have assessed additional income tax associated with our 2009 tax year. In addition, 2013 reflects larger income tax benefits associated with federal jobs credits.

The 2012 effective tax rate of 36.4% was greater than the statutory tax rate of 35% due primarily to the inclusion of state income taxes in the total effective tax rate.

Off Balance Sheet Arrangements

The entities involved in the ownership structure underlying the leases for three of our distribution centers meet the accounting definition of a Variable Interest Entity ("VIE"). One of these distribution centers has been recorded as a financing obligation whereby its property and equipment are reflected in our consolidated balance sheets. The land and buildings of the other two distribution centers have been recorded as operating leases. We are not the primary beneficiary of these VIEs and, accordingly, have not included these entities in our consolidated financial statements. Other than the foregoing, we are not party to any material off balance sheet arrangements.

Effects of Inflation

We experienced little or no overall product cost inflation in 2014, 2013 and 2012.

Liquidity and Capital Resources

Current Financial Condition and Recent Developments

During the past three years, we have generated an aggregate of approximately $3.66 billion in cash flows from operating activities and incurred approximately $1.48 billion in capital expenditures. During that period, we expanded the number of stores we operate by 1,852, representing growth of approximately 19%, and we remodeled or relocated 2,089 stores, or approximately 18% of the stores we operated as of January 30, 2015. We intend to continue our current strategy of pursuing store growth, remodels and relocations in 2015.

We have a five-year $1.85 billion unsecured credit agreement (the "Facilities"), and we have outstanding $1.8 billion aggregate principal amount of senior notes. At January 30, 2015, we had total outstanding debt (including the current portion of long-term obligations) of $2.74 billion, which includes balances under the Facilities, and senior notes, all of which are described in greater detail below. We had $821.5 million available for borrowing under the Facilities at January 30, 2015.

We believe our cash flow from operations and existing cash balances, combined with availability under the Facilities, and access to the debt markets will provide sufficient liquidity to fund our current obligations, projected working capital requirements, capital spending and planned dividend payments for a period that includes the next twelve months as well as the next several years. However, our ability to maintain sufficient liquidity may be affected by numerous factors, many of which are outside of our control. Depending on our liquidity levels, conditions in the capital markets and other factors, we may from time to time consider the issuance of debt, equity or other securities, the proceeds of which could provide additional liquidity for our operations.

Facilities

The Facilities consist of a senior unsecured term loan facility (the "Term Facility") with an initial balance of $1.0 billion and an $850.0 million senior unsecured revolving credit facility (the "Revolving Facility") which provides for the issuance of letters of credit up to $250.0 million. We may request, subject to agreement by one or more lenders, increased revolving commitments and/or incremental term loan facilities in an aggregate amount of up to $150.0 million. The Facilities mature on April 11, 2018.

Borrowings under the Facilities bear interest at a rate equal to an applicable margin plus, at our option, either (a) LIBOR or (b) a base rate (which is usually equal to the prime rate). The applicable margin for borrowings as of January 30, 2015 was 1.275% for LIBOR borrowings and 0.275% for base-rate borrowings. We must also pay a facility fee, payable on any used and unused amounts of the Facilities, and letter of credit fees. The applicable margins for borrowings, the facility fees and the letter of credit fees under the Facilities are subject to adjustment each quarter based on our long-term senior unsecured debt ratings.

The Term Facility amortizes in quarterly installments of $25.0 million, which commenced on August 1, 2014. The final quarterly payment of the then-remaining balance will be due at maturity on April 11, 2018. As of January 30, 2015, the balance on the Term Facility was $925.0 million. The Facilities can be prepaid in whole or in part at any time. The Facilities contain certain covenants that place limitations on the incurrence of liens; change of business; mergers or sales of all or substantially all assets; and subsidiary indebtedness, among other limitations. The Facilities also contain financial covenants that require the maintenance of a minimum fixed charge coverage ratio and a maximum leverage ratio. As of January 30, 2015, we were in compliance with all such covenants. The Facilities also contain customary affirmative covenants and events of default.

As of January 30, 2015, we had total outstanding letters of credit of $43.6 million, $28.5 million of which were under the Revolving Facility.

For the remainder of fiscal 2015, we anticipate potential borrowings under the Revolving Facility up to a maximum of approximately $500 million outstanding at any one time, including any anticipated borrowings to fund repurchases of common stock.

Senior Notes

We have $500.0 million aggregate principal amount of 4.125% senior notes due 2017 (the "2017 Senior Notes") which mature on July 15, 2017, $400.0 million aggregate principal amount of 1.875% senior notes due 2018 (the "2018 Senior Notes"), net of discount at issuance of $0.5 million, which mature on April 15, 2018; and $900.0 million aggregate principal amount of 3.25% senior notes due 2023 (the "2023 Senior Notes"), net of discount at issuance of $2.4 million, which mature on April 15, 2023. Collectively, the 2017 Senior Notes, the 2018 Senior Notes and the 2023 Senior Notes comprise the "Senior Notes", each of which were issued pursuant to an indenture as modified by supplemental indentures relating to each series of Senior Notes (as so supplemented, the "Senior Indenture"). Interest on the 2017 Senior Notes is payable in cash on January 15 and July 15 of each year and commenced on January 15, 2013. Interest on the 2018 Senior Notes and the 2023 Senior Notes is payable in cash on April 15 and October 15 of each year and commenced on October 15, 2013.

We may redeem some or all of the Senior Notes at any time at redemption prices set forth in the Senior Indenture. Upon the occurrence of a change of control triggering event, which is defined in the Senior Indenture, each holder of our Senior Notes has the right to require us to repurchase some or all of such holder's Senior Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date.

The Senior Indenture contains covenants limiting, among other things, our ability (subject to certain exceptions) to consolidate, merge, or sell or otherwise dispose of all or substantially all of our assets; and our ability and the ability of our subsidiaries to incur or guarantee indebtedness secured by liens on any shares of voting stock of significant subsidiaries.

The Senior Indenture also provides for events of default which, if any of them occurs, would permit or require the principal of and accrued interest on our Senior Notes to become or to be declared due and payable.

Sale Leaseback Transaction

In January 2014 we consummated a transaction pursuant to which we sold and subsequently leased back the land, buildings and related improvements for 233 of our stores. This transaction resulted in cash proceeds of approximately $281.6 million.

Rating Agencies

In February 2015, Standard & Poor's reaffirmed our senior unsecured debt rating of BBB and our corporate debt rating of BBB , both with a stable outlook, and Moody's reaffirmed our senior unsecured debt rating of Baa3 with a stable outlook. Previously, Standard and Poor's had placed all of our credit ratings on watch with negative implications and Moody's had placed all of our credit ratings on review for downgrade due to the proposed business combination with Family Dollar. Our current credit ratings, as well as future rating agency actions, could (i) impact our ability to finance our operations on satisfactory terms; (ii) affect our financing costs; and (iii) affect our insurance premiums and collateral requirements necessary for our self-insured programs. There can be no assurance that we will be able to maintain or improve our current credit ratings.

Interest Rate Swaps

We use interest rate swaps to minimize the risk of adverse changes in interest rates. These swaps are intended to reduce risk by hedging an underlying economic exposure. Because of high correlation between the derivative financial instrument and the underlying exposure being hedged, fluctuations in the value of the financial instruments are generally offset by reciprocal changes in the value of the underlying economic exposure. Our principal interest rate exposure relates to outstanding amounts under our Facilities. At January 30, 2015, we had interest rate swaps with a total notional amount of $875.0 million. For more information see Item 7A, "Quantitative and Qualitative Disclosures about Market Risk" below.

Fair Value Accounting

We have classified our interest rate swaps, as further discussed in Item 7A. below, in Level 2 of the fair value hierarchy, as the significant inputs to the overall valuations are based on market-observable data or information derived from or corroborated by market-observable data, including market-based inputs to models, model calibration to market-clearing transactions, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Where models are used, the selection of a particular model to value a derivative depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market. We use similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit curves, measures of volatility, and correlations of such inputs. For our derivatives, all of which trade in liquid markets, model inputs can generally be verified.

We incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements of our derivatives. The credit valuation adjustments are calculated by determining the total expected exposure of the derivatives (which incorporates both the current and potential future exposure) and then applying each counterparty's credit spread to the applicable exposure. For derivatives with two-way exposure, such as interest rate swaps, the counterparty's credit spread is applied to our exposure to the counterparty, and our own credit spread is applied to the counterparty's exposure to us, and the net credit valuation adjustment is reflected in our derivative valuations. The total expected exposure of a derivative is derived using market-observable inputs, such as yield curves and volatilities. The inputs utilized for our own credit spread are based on implied spreads from our publicly-traded debt. For counterparties with publicly available credit information, the credit spreads over LIBOR used in the calculations represent implied credit default swap spreads obtained from a third party credit data provider. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees. Additionally, we actively monitor counterparty credit ratings for any significant changes.

As of January 30, 2015, the net credit valuation adjustments had an insignificant impact on the settlement values of our derivative liabilities. Various factors impact changes in the credit valuation adjustments over time, including changes in the credit spreads of the parties to the contracts, as well as changes in market rates and volatilities, which affect the total expected exposure of the derivative instruments. When appropriate, valuations are also adjusted for various factors such as liquidity and bid/offer spreads, which factors we deemed to be immaterial as of January 30, 2015.

Contractual Obligations

The following table summarizes our significant contractual obligations and commercial commitments as of January 30, 2015 (in thousands):

		Payments Due by Period			
Contractual obligations	**Total**	**1 year**	**1 - 3 years**	**3 - 5 years**	**5+ years**
Long-term debt obligations	$ 2,736,995	$ 100,090	$ 700,555	$ 1,025,955	$ 910,395
Capital lease obligations	5,875	1,068	2,114	957	1,736
Interest(a)	353,570	71,770	125,478	61,967	94,355
Self-insurance liabilities(b)	225,021	83,165	93,738	31,097	17,021
Operating leases(c)	6,626,501	793,274	1,454,936	1,232,628	3,145,663
Subtotal	$ 9,947,962	$ 1,049,367	$ 2,376,821	$ 2,352,604	$ 4,169,170

		Commitments Expiring by Period			
Commercial commitments(d)	**Total**	**1 year**	**1 - 3 years**	**3 - 5 years**	**5+ years**
Letters of credit	$ 15,100	$ 15,100	$	$	$
Purchase obligations(e)	987,784	963,720	24,064		
Subtotal	$ 1,002,884	$ 978,820	$ 24,064	$	$
Total contractual obligations and commercial commitments(f)	$ 10,950,846	$ 2,028,187	$ 2,400,885	$ 2,352,604	$ 4,169,170

(a) Represents obligations for interest payments on long-term debt and capital lease obligations, and includes projected interest on variable rate long-term debt, using 2014 year end rates. Variable rate long-term debt includes the balance of the senior revolving credit facility (which had a balance of zero as of January 30, 2015), the balance of our tax increment financing of $12.0 million, and the unhedged portion of the senior term loan facility of $50 million.

(b) We retain a significant portion of the risk for our workers' compensation, employee health insurance, general liability, property loss and automobile insurance. As these obligations do not have scheduled maturities, these amounts represent undiscounted estimates based upon actuarial assumptions. Reserves for workers' compensation and general liability which existed as of the date of a merger transaction in 2007 were discounted in order to arrive at estimated fair value. All other amounts are reflected on an undiscounted basis in our consolidated balance sheets.

(c) Operating lease obligations are inclusive of amounts included in deferred rent in our consolidated balance sheets.

(d) Commercial commitments include information technology license and support agreements, supplies, fixtures, letters of credit for import merchandise, and other inventory purchase obligations.

(e) Purchase obligations include legally binding agreements for software licenses and support, supplies, fixtures, and merchandise purchases (excluding such purchases subject to letters of credit).

(f) We have potential payment obligations associated with uncertain tax positions that are not reflected in these totals. We are currently unable to make reasonably reliable estimates of the period of cash settlement with the taxing authorities for the $10.7 million of reserves for uncertain tax positions.

Share Repurchase Program

On March 10, 2015, the Company's Board of Directors authorized a $1.0 billion increase to our existing common stock repurchase program. The total remaining authorization is approximately $1.2 billion at March 12, 2015. Under the authorization, purchases may be made in the open market or in privately negotiated transactions from time to time subject to market and other conditions, and the authorization has no expiration date. For more detail about our share repurchase program, see Note 12 to the consolidated financial statements.

Other Considerations

On March 10, 2015, the Board of Directors approved a quarterly cash dividend to shareholders of $0.22 per share which will be paid on April 22, 2015 to shareholders of record on April 8, 2015. Although the Board currently intends to continue regular quarterly cash dividends, the payment of future cash dividends are subject to the Board's discretion and will depend upon, among other things, our results of operations, cash requirements, financial condition, contractual restrictions and other factors that our Board may deem relevant.

Our inventory balance represented approximately 49% of our total assets exclusive of goodwill and other intangible assets as of January 30, 2015. Our ability to effectively manage our inventory balances can have a significant impact on our cash flows from operations during a given fiscal year. Inventory purchases are often somewhat seasonal in nature, such as the purchase of warm-weather or Christmas-related merchandise. Efficient management of our inventory has been and continues to be an area of focus for us.

As described in Note 8 to the consolidated financial statements, we are involved in a number of legal actions and claims, some of which could potentially result in material cash payments. Adverse developments in those actions could materially and adversely affect our liquidity. We also have certain income tax-related contingencies as disclosed in Note 4 to the consolidated financial statements. Future negative developments could have a material adverse effect on our liquidity.

Cash Flows

Cash flows from operating activities. Cash flows from operating activities were $1.31 billion in 2014, an increase of $101.7 million compared to 2013. Significant components of the increase in cash flows from operating activities in 2014 compared to 2013 include increased net income due primarily to increased sales and operating profit in 2014 as described in more detail above under "Results of Operations." Merchandise inventories increased by a greater amount in 2014 compared to 2013, which was partially offset by accounts payable, which increased by $97.2 million in 2014 compared to a $36.9 million increase in 2013. The increase in accounts payable during 2014 was due primarily to the volume and timing of domestic merchandise receipts. On an ongoing basis, we closely monitor and manage our inventory balances, and they may fluctuate from period to period based on new store openings, the timing of purchases, and other factors. Merchandise inventories increased by 9% during 2014, compared to a 7% increase in 2013. Inventory levels in the consumables category increased by $178.4 million, or 12%, in 2014 compared to an increase of $168.0 million, or 12%, in 2013. The seasonal category increased by $13.8 million, or 3%, in 2014 compared to a decrease of $4.7 million, or 1%, in 2013. The home products category was essentially unchanged in 2014 compared to an increase of $22.0 million, or 9%, in 2013. The apparel category increased by $37.1 million, or 13%, in 2014 compared to a decrease of $29.5 million, or 9%, in 2013.

Significant components of the increase in cash flows from operating activities in 2013 compared to 2012 include increased net income due primarily to increased sales and lower SG&A expenses, as a percentage of sales, in 2013 as described in more detail above under "Results of Operations." Significant components of the increase in cash flows from operating activities were related to changes in working capital, including Merchandise inventories, Accounts payable and Accrued expenses and other. The impact of the changes in inventory balances, which increased in both years but by a lesser amount in 2013 compared to 2012, is explained in more detail below. Items positively affecting Accrued expenses and other include the timing of accruals and payments for legal settlements and non-income taxes (primarily sales taxes), and the adjustment of accruals during 2012 resulting from the favorable resolution of income tax examinations which did not recur in 2013. Partially offsetting the positive impact of the items discussed above were reduced incentive compensation accruals, increased cash payments for income taxes, and changes in Accounts payable, which are affected by the timing and mix of merchandise purchases, the most significant category of which were domestic purchases.

In addition, our merchandise inventories increased by 7% during 2013, compared to a 19% increase in 2012. The percentage increase in inventories in 2013 was less than the prior year due to our emphasis on more effective inventory management and our related efforts to control shrink. Inventory levels in the consumables category increased by $168.0 million, or 12%, in 2013 compared to an increase of $245.7 million, or 22%, in 2012. The seasonal category decreased by $4.7 million, or 1%, in 2013 compared to an increase of $70.2 million, or 18%, in 2012. The home products category increased $22.0 million, or 9%, in 2013 compared to an increase of $56.2 million, or 29%, in 2012. The apparel category decreased by $29.5 million, or 9%, in 2013 compared to an increase of $16.0 million, or 5%, in 2012.

Cash flows from investing activities. Significant components of property and equipment purchases in 2014 included the following approximate amounts: $127 million for improvements, upgrades, remodels and relocations of existing stores; $102 million for new leased stores; $64 million for distribution and transportation-related projects; $38 million for stores built by us; and $35 million for information systems upgrades and technology-related projects. The timing of new, remodeled and relocated store openings along with other factors may affect the relationship between such openings and the related property and equipment purchases in any given period. During 2014, we opened 700 new stores and remodeled or relocated 915 stores. See " Liquidity and Capital Resources." Cash flows from investing activities decreased from 2013 to 2014, due primarily to a sale-leaseback transaction in 2013 (more fully described below).

Significant components of property and equipment purchases in 2013 included the following approximate amounts: $187 million for improvements, upgrades, remodels and relocations of existing stores; $124 million for new leased stores; $112 million for distribution centers, which included a significant portion of the construction cost of a distribution center in Pennsylvania; $76 million for stores purchased or built by us; and $28 million for information systems upgrades and technology-related projects. During 2013, we opened 650 new stores and remodeled or relocated 582 stores. Our sale-leaseback transaction which we consummated in January 2014 for 233 of our stores resulted in proceeds from the sale of these properties of approximately $281.6 million.

Significant components of property and equipment purchases in 2012 included the following approximate amounts: $155 million for new leased stores; $151 million for improvements, upgrades, remodels and relocations of existing stores; $132 million for stores purchased or built by us; $83 million for distribution centers; $27 million for systems-related capital projects; and $17 million for transportation-related projects. During 2012, we opened 625 new stores and remodeled or relocated 592 stores.

Capital expenditures during 2015 are projected to be in the range of $500-$550 million. We anticipate funding 2015 capital requirements with existing cash balances, cash flows from operations, and if necessary, as of January 30, 2015, we also have significant availability under our Revolving Facility. We plan to continue to invest in store growth and development of approximately 730 new stores and approximately 875 stores to be remodeled or relocated. Capital expenditures in 2015 are anticipated to support our store growth as well as our remodel and relocation initiatives, including capital outlays for leasehold improvements, fixtures and equipment; the construction of new stores; costs to support and enhance our supply chain initiatives including the distribution center under construction in Texas; technology initiatives; as well as routine and ongoing capital requirements.

Cash flows from financing activities. In 2014, we repurchased 14.1 million outstanding shares of our common stock at a total cost of $800.1 million. We made repayments of $75.0 million on the balance of the Term Facility. Borrowings and repayments under the Revolving Facility during the 2014 period were the same amount, resulting in no net increase to amounts outstanding under the Revolving Facility during 2014.

The 2013 cash flows from financing activities reflect our refinancing in April 2013, including the issuance of long-term obligations which includes the $1.0 billion unsecured Term Facility and the issuance of Senior Notes totaling approximately $1.3 billion. Proceeds from these transactions were used to extinguish our previous secured term loan and revolving credit facilities which had balances of $1.96 billion and $155.6 million at termination. Net repayments under the Revolving Facility were $130.9 million during 2013. We paid debt issuance costs and hedging fees totaling $29.2 million in 2013 related to the refinancing. Also in 2013, we repurchased 11.0 million outstanding shares of our common stock at a total cost of $620.1 million.

In 2012 we repurchased 14.4 million outstanding shares of our common stock at a total cost of $671.4 million. In July 2012, we issued $500.0 million aggregate principal amount of 4.125% senior notes due 2017. Also in July 2012, we redeemed the remaining aggregate principal amount of senior subordinated notes due 2017 at a redemption price of 105.938% of the principal amount thereof, resulting in a cash outflow of $477.5 million. Net borrowings under our senior secured revolving credit facility were $101.8 million during 2012.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures. In addition to the estimates presented below, there are other items within our financial statements that require estimation, but are not deemed critical as defined below. We believe these estimates are reasonable and appropriate. However, if actual experience differs from the assumptions and other considerations used, the resulting changes could have a material effect on the financial statements taken as a whole.

Management believes the following policies and estimates are critical because they involve significant judgments, assumptions, and estimates. Management has discussed the development and selection of the critical accounting estimates with the Audit Committee of our Board of Directors, and the Audit Committee has reviewed the disclosures presented below relating to those policies and estimates. See Note 1 to the consolidated financial statements for a detailed discussion of our principal accounting policies.

Merchandise Inventories. Merchandise inventories are stated at the lower of cost or market ("LCM") with cost determined using the retail last in, first out ("LIFO") method. We use the retail inventory method ("RIM") to calculate gross profit and the resulting valuation of inventories at cost, which are computed by applying a calculated cost-to-retail inventory ratio to the retail value of sales at a department level. The RIM is an averaging method that has been widely used in the retail industry due to its practicality. Also, the use of the RIM will result in valuing inventories at LCM if markdowns are currently taken as a reduction of the retail value of inventories. Inherent in the retail inventory method calculation are certain significant management judgments and estimates including, among others, initial markups, markdowns, and shrinkage, which significantly impact the gross profit calculation as well as the ending inventory valuation at cost. These significant estimates, coupled with the fact that the RIM is an averaging process, can, under certain circumstances, produce distorted cost figures. Factors that can lead to distortion in the calculation of the inventory balance include:

- applying the RIM to a group of products that is not fairly uniform in terms of its cost and selling price relationship and turnover;
- applying the RIM to transactions over a period of time that include different rates of gross profit, such as those relating to seasonal merchandise;
- inaccurate estimates of inventory shrinkage between the date of the last physical inventory at a store and the financial statement date; and
- inaccurate estimates of LCM and/or LIFO reserves.

Factors that reduce potential distortion include the use of historical experience in estimating the shrink provision (see discussion below) and an annual LIFO analysis whereby all SKUs are considered for inclusion in the index formulation. An actual valuation of inventory under the LIFO method is made at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels, sales for the year and the expected rate of inflation/deflation for the year and are thus subject to adjustment in the final year-end LIFO inventory valuation. We also perform interim inventory analysis for determining obsolete inventory. Our policy is to write down inventory to an LCM value based on various management assumptions including estimated markdowns and sales required to liquidate such inventory in future periods. Inventory is reviewed on a quarterly basis and adjusted to reflect write-downs as appropriate.

Factors such as slower inventory turnover due to changes in competitors' practices, consumer preferences, consumer spending and unseasonable weather patterns, among other factors, could cause excess inventory requiring greater than estimated markdowns to entice consumer purchases, resulting in an unfavorable impact on our consolidated financial statements. Sales shortfalls due to the above factors could cause reduced purchases from vendors and associated vendor allowances that would also result in an unfavorable impact on our consolidated financial statements.

We calculate our shrink provision based on actual physical inventory results during the fiscal period and an accrual for estimated shrink occurring subsequent to a physical inventory through the end of the fiscal reporting period. This accrual is calculated as a percentage of sales at each retail store, at a department level, and is determined by dividing the book-to-physical inventory adjustments recorded during the previous twelve months by the related sales for the same period for each store. To the extent that subsequent physical inventories yield different results than this estimated accrual, our effective shrink rate for a given reporting period will include the impact of adjusting the estimated results to the actual results. Although we perform physical inventories in virtually all of our stores on an annual basis, the same stores do not necessarily get counted in the same reporting periods from year to year, which could impact comparability in a given reporting period.

We believe our estimates and assumptions related to merchandise inventories have generally been accurate in recent years and we do not currently anticipate material changes in these estimates and assumptions.

Goodwill and Other Intangible Assets. The qualitative and quantitative assessments related to the valuation and any potential impairment of goodwill and other intangible assets are each subject to judgments and/or assumptions. Significant judgments required in the analysis of qualitative factors may include determining the appropriate factors to consider and the relative importance of those factors along with other assumptions. Significant judgments required in the quantitative testing process may include projecting future cash flows, determining appropriate discount rates, correctly applying valuation techniques, correctly computing the implied fair value of goodwill if necessary, and other assumptions. Future cash flow projections are based on management's projections and represent best estimates taking into account recent financial performance, market trends, strategic plans and other available information, which in recent years have been materially accurate. Although not currently anticipated, changes in these estimates and assumptions could materially affect the determination of fair value or impairment. Future indicators of impairment could result in an asset impairment charge. If these judgments or assumptions are incorrect or flawed, the analysis could be negatively impacted.

Our most recent testing of our goodwill and indefinite lived trade name intangible assets was completed during the third quarter of 2014. No indicators of impairment were evident and no assessment of or adjustment to these assets was required. We are not currently projecting a decline in cash flows that could be expected to have an adverse effect such as a violation of debt covenants or future impairment charges.

Property and Equipment. Property and equipment are recorded at cost. We group our assets into relatively homogeneous classes and generally provide for depreciation on a straight-line basis over the estimated average useful life of each asset class, except for leasehold improvements, which are amortized over the lesser of the applicable lease term or the estimated useful life of the asset. Certain store and warehouse fixtures, when fully depreciated, are removed from the cost and related accumulated depreciation and amortization accounts. The valuation and classification of these assets and the assignment of depreciable lives involves significant judgments and the use of estimates, which we believe have been materially accurate in recent years.

Impairment of Long-lived Assets. Impairment of long-lived assets results when the carrying value of the assets exceeds the estimated undiscounted future cash flows generated by the assets. Our estimate of undiscounted future store cash flows is based upon historical operations of the stores and estimates of future profitability which encompasses many factors that are subject to variability and are difficult to predict. If our estimates of future cash flows are not materially accurate, our impairment analysis could be impacted accordingly. If a long-lived asset is found to be impaired, the amount recognized for impairment is equal to the difference between the carrying value and the asset's estimated fair value. The fair value is estimated based primarily upon projected future cash flows (discounted at our credit adjusted risk-free rate) or other reasonable estimates of fair market value in accordance with U.S. GAAP. Although not currently anticipated, changes in these estimates, assumptions or projections could materially affect the determination of fair value or impairment.

Insurance Liabilities. We retain a significant portion of the risk for our workers' compensation, employee health, property loss, automobile and general liability. These represent significant costs primarily due to our large employee base and number of stores. Provisions are made for these liabilities on an undiscounted basis based on actual claim data and estimates of incurred but not reported claims developed using actuarial methodologies based on historical claim trends, which have been and are anticipated to continue to be materially accurate. If future claim trends deviate from recent historical patterns, or other unanticipated events affect the number and significance of future claims, we may be required to record additional expenses or expense reductions, which could be material to our future financial results.

Contingent Liabilities Income Taxes. Income tax reserves are determined using the methodology established by accounting standards relating to uncertainty in income taxes. These standards require companies to assess each income tax position taken using a two-step process. A determination is first made as to whether it is more likely than not that the position will be sustained, based upon the technical merits, upon examination by the taxing authorities. If the tax position is expected to meet the more likely than not criteria, the benefit recorded for the tax position equals the largest amount that is greater than 50% likely to be realized upon ultimate settlement of the respective tax position. Uncertain tax positions require determinations and liabilities to be estimated based on provisions of the tax law which may be subject to change or varying interpretation. If our determinations and estimates prove to be inaccurate, the resulting adjustments could be material to our future financial results.

Contingent Liabilities Legal Matters. We are subject to legal, regulatory and other proceedings and claims. We establish liabilities as appropriate for these claims and proceedings based upon the probability and estimability of losses and to fairly present, in conjunction with the disclosures of these matters in our financial statements and SEC filings, management's view of our exposure. We review outstanding claims and proceedings with external counsel to assess probability and estimates of loss, which includes an analysis of whether such loss estimates are probable, reasonably possible, or remote. We re-evaluate these assessments on a quarterly basis or as new and significant information becomes available to determine whether a liability should be established or if any existing liability should be adjusted. The actual cost of resolving a claim or proceeding ultimately may be substantially different than the amount of the recorded liability. In addition, because it is not permissible under U.S. GAAP to establish a litigation liability until the loss is both probable and estimable, in some cases there may be insufficient time to establish a liability prior to the actual incurrence of the loss (upon verdict and judgment at trial, for example, or in the case of a quickly negotiated settlement).

Lease Accounting and Excess Facilities. Many of our stores are subject to build-to-suit arrangements with landlords, which typically carry a primary lease term of up to 15 years with multiple renewal options. We also have stores subject to shorter-term leases and many of these leases have renewal options. Certain of our stores have provisions for contingent rentals based upon a percentage of defined sales volume. We recognize contingent rental expense when the achievement of specified sales targets is considered probable. We record minimum rental expense on a straight-line basis over the base, non-cancelable lease term commencing on the date that we take physical possession of the property from the landlord, which normally includes a period prior to store opening to make necessary leasehold improvements and install store fixtures. When a lease contains a predetermined fixed escalation of the minimum rent, we recognize the related rent expense on a straight-line basis and record the difference between the recognized rental expense and the amounts payable under the lease as deferred rent. Tenant allowances, to the extent received, are recorded as deferred incentive rent and amortized as a reduction to rent expense over the term of the lease. We reflect as a liability any difference between the calculated expense and the amounts actually paid. Improvements of leased properties are amortized over the shorter of the life of the applicable lease term or the estimated useful life of the asset.

Share-Based Payments. Our share-based stock option awards are valued on an individual grant basis using the Black-Scholes-Merton closed form option pricing model. We believe that this model fairly estimates the value of our share-based awards. The application of this valuation model involves assumptions that are judgmental and highly sensitive in the valuation of stock options, which affects compensation expense related to these options. These assumptions include the term that the options are expected to be outstanding, the historical volatility of our stock price, applicable interest rates and the dividend yield of our stock. Other factors involving judgments that affect the expensing of share-based payments include estimated forfeiture rates of share-based awards. Historically, these estimates have not been materially inaccurate; however, if our estimates differ materially from actual experience, we may be required to record additional expense or reductions of expense, which could be material to our future financial results.

Fair Value Measurements. Accounting standards for the measurement of fair value of assets and liabilities establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). Therefore, Level 3 inputs are typically based on an entity's own assumptions, as there is little, if any, related market activity, and thus require the use of significant judgment and estimates. Currently, we have no assets or liabilities that are valued based solely on Level 3 inputs.

Our fair value measurements are primarily associated with our derivative financial instruments, intangible assets, debt instruments, and to a lesser degree our investments. We use various valuation models in determining the values of these assets and liabilities. The application of these models involves assumptions such as discounted cash flow analysis and interest rate curves that are judgmental and highly sensitive in the fair value computations. In recent years, these methodologies have produced materially accurate valuations.

Derivative Financial Instruments. In addition to estimating the fair value of derivatives as discussed above, we also bear the risk that certain derivative instruments that have been designated as hedges and currently meet the strict hedge accounting requirements may not qualify in the future as "highly effective," as defined, as well as the risk that hedged transactions in cash flow hedging relationships may no longer be considered probable to occur. If hedge accounting were disallowed it could cause greater volatility in our results of operations. Further, new regulations, accounting standards, and related interpretations pertaining to these instruments may be issued in the future, and we cannot predict the possible impact that such requirements may have on our use of derivative instruments.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial Risk Management

We are exposed to market risk primarily from adverse changes in interest rates, and to a lesser degree commodity prices. To minimize this risk, we may periodically use financial instruments, including derivatives. All derivative financial instrument transactions must be authorized and executed pursuant to approval by the Board of Directors. As a matter of policy, we do not buy or sell financial instruments for speculative or trading purposes, and any such derivative financial instruments are intended to be used to reduce risk by hedging an underlying economic exposure. Because of high correlation between the derivative financial instrument and the underlying exposure being hedged, fluctuations in the value of the financial instruments are generally offset by reciprocal changes in the value of the underlying economic exposure.

Interest Rate Risk

We manage our interest rate risk through the strategic use of fixed and variable interest rate debt and, from time to time, derivative financial instruments. Our principal interest rate exposure relates to outstanding amounts under our unsecured debt Facilities. As of January 30, 2015, we had variable rate borrowings of $925 million under our Term Facility and no borrowings outstanding under our Revolving Facility. In order to mitigate a portion of the variable rate interest exposure under the Facilities, we have entered into various interest rate swaps in recent years. For a detailed discussion of our Facilities, see Note 5 to the consolidated financial statements.

Currently, we are counterparty to certain interest rate swaps with a total notional amount of $875.0 million entered into in May 2012 in order to mitigate a portion of the variable rate interest exposure under the Facilities. These swaps are scheduled to mature in May 2015. Under the terms of these agreements we swapped one month LIBOR rates for fixed interest rates, resulting in the payment of an all-in fixed rate of 1.86% on a notional amount of $875.0 million.

A change in interest rates on variable rate debt impacts our pre-tax earnings and cash flows; whereas a change in interest rates on fixed rate debt impacts the economic fair value of debt but not our pre-tax earnings and cash flows. Our interest rate swaps qualify for hedge accounting as cash flow hedges. Therefore, changes in market fluctuations related to the effective portion of these cash flow hedges do not impact our pre-tax earnings until the accrued interest is recognized on the derivatives and the associated hedged debt. Based on our variable rate borrowing levels and interest rate swaps outstanding as of January 30, 2015 and January 31, 2014, respectively, the annualized effect of a one percentage point increase in variable interest rates would have resulted in a pretax reduction of our earnings and cash flows of approximately $0.6 million in 2014 and $1.4 million in 2013.

Market conditions and periodic uncertainties in the global credit markets may increase the credit risk of counterparties to our swap agreements. In the event such counterparties fail to perform under our swap agreements and we are unable to enter into new swap agreements on terms favorable to us, our ability to effectively manage our interest rate risk may be materially impaired. We attempt to manage counterparty credit risk by periodically evaluating the financial position and creditworthiness of such counterparties, monitoring the amount for which we are at risk with each counterparty, and where possible, dispersing the risk among multiple counterparties. There can be no assurance that we will manage or mitigate our counterparty credit risk effectively.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
Dollar General Corporation

We have audited the accompanying consolidated balance sheets of Dollar General Corporation and subsidiaries as of January 30, 2015 and January 31, 2014, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended January 30, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dollar General Corporation and subsidiaries at January 30, 2015 and January 31, 2014, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 30, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Dollar General Corporation and subsidiaries' internal control over financial reporting as of January 30, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 20, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Nashville, Tennessee
March 20, 2015

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)

	January 30, 2015	January 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 579,823	$ 505,566
Merchandise inventories	2,782,521	2,552,993
Prepaid expenses and other current assets	170,265	147,048
Total current assets	3,532,609	3,205,607
Net property and equipment	2,116,075	2,080,305
Goodwill	4,338,589	4,338,589
Other intangible assets, net	1,201,870	1,207,645
Other assets, net	34,961	35,378
Total assets	$ 11,224,104	$ 10,867,524
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term obligations	$ 101,158	$ 75,966
Accounts payable	1,388,154	1,286,484
Accrued expenses and other	413,760	368,578
Income taxes payable	59,400	59,148
Deferred income taxes	25,268	21,795
Total current liabilities	1,987,740	1,811,971
Long-term obligations	2,639,427	2,742,788
Deferred income taxes	601,590	614,026
Other liabilities	285,309	296,546
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, 1,000 shares authorized		
Common stock; $0.875 par value, 1,000,000 shares authorized, 303,447 and 317,058 shares issued and outstanding at January 30, 2015 and January 31, 2014, respectively	265,514	277,424
Additional paid-in capital	3,048,806	3,009,226
Retained earnings	2,403,045	2,125,453
Accumulated other comprehensive loss	(7,327)	(9,910)
Total shareholders' equity	5,710,038	5,402,193
Total liabilities and shareholders' equity	$ 11,224,104	$ 10,867,524

The accompanying notes are an integral part of the consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

	For the Year Ended		
	January 30, 2015	**January 31, 2014**	**February 1, 2013**
Net sales	$ 18,909,588	$ 17,504,167	$ 16,022,128
Cost of goods sold	13,107,081	12,068,425	10,936,727
Gross profit	5,802,507	5,435,742	5,085,401
Selling, general and administrative expenses	4,033,414	3,699,557	3,430,125
Operating profit	1,769,093	1,736,185	1,655,276
Interest expense	88,232	88,984	127,926
Other (income) expense		18,871	29,956
Income before income taxes	1,680,861	1,628,330	1,497,394
Income tax expense	615,516	603,214	544,732
Net income	$ 1,065,345	$ 1,025,116	$ 952,662
Earnings per share:			
Basic	$ 3.50	$ 3.17	$ 2.87
Diluted	$ 3.49	$ 3.17	$ 2.85
Weighted average shares outstanding:			
Basic	304,633	322,886	332,254
Diluted	305,681	323,854	334,469

The accompanying notes are an integral part of the consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	For the Year Ended		
	January 30, 2015	**January 31, 2014**	**February 1, 2013**
Net income	$ 1,065,345	$ 1,025,116	$ 952,662
Unrealized net gain (loss) on hedged transactions, net of related income tax expense (benefit) of $1,671, $(4,461) and $1,448, respectively	2,583	(6,972)	2,253
Comprehensive income	$ 1,067,928	$ 1,018,144	$ 954,915

The accompanying notes are an integral part of the consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands except per share amounts)

	Common Stock Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balances, February 3, 2012	338,089	$ 295,828	$ 2,967,027	$ 1,416,918	$ (5,191)	$ 4,674,582
Net income				952,662		952,662
Unrealized net gain (loss) on hedged transactions					2,253	2,253
Share-based compensation expense			21,664			21,664
Repurchases of common stock	(14,394)	(12,595)	(16)	(658,848)		(671,459)
Tax benefit from stock option exercises			77,020			77,020
Exercise of share-based awards	3,048	2,667	(75,787)			(73,120)
Other equity transactions	326	285	1,443			1,728
Balances, February 1, 2013	327,069	$ 286,185	$ 2,991,351	$ 1,710,732	$ (2,938)	$ 4,985,330
Net income				1,025,116		1,025,116
Unrealized net gain (loss) on hedged transactions					(6,972)	(6,972)
Share-based compensation expense			20,961			20,961
Repurchases of common stock	(11,037)	(9,657)		(610,395)		(620,052)
Tax benefit from stock option exercises			24,151			24,151
Exercise of share-based awards	1,026	896	(27,237)			(26,341)
Balances, January 31, 2014	317,058	$ 277,424	$ 3,009,226	$ 2,125,453	$ (9,910)	$ 5,402,193
Net income				1,065,345		1,065,345
Unrealized net gain (loss) on hedged transactions					2,583	2,583
Share-based compensation expense			37,338			37,338
Repurchases of common stock	(14,106)	(12,342)		(787,753)		(800,095)
Tax benefit from stock option exercises			5,047			5,047
Exercise of share-based awards	495	432	(2,805)			(2,373)
Balances, January 30, 2015	303,447	$ 265,514	$ 3,048,806	$ 2,403,045	$ (7,327)	$ 5,710,038

The accompanying notes are an integral part of the consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	For the Year Ended January 30, 2015	January 31, 2014	February 1, 2013
Cash flows from operating activities:			
Net income	$ 1,065,345	$ 1,025,116	$ 952,662
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	342,353	332,837	302,911
Deferred income taxes	(17,734)	(36,851)	(2,605)
Tax benefit of share-based awards	(12,147)	(30,990)	(87,752)
Loss on debt retirement, net		18,871	30,620
Noncash share-based compensation	37,338	20,961	21,664
Other noncash (gains) and losses	8,551	(12,747)	6,774
Change in operating assets and liabilities:			
Merchandise inventories	(233,559)	(144,943)	(391,409)
Prepaid expenses and other current assets	(25,048)	(4,947)	5,553
Accounts payable	97,166	36,942	194,035
Accrued expenses and other liabilities	41,635	16,265	(36,741)
Income taxes	12,399	(5,249)	138,711
Other	(1,555)	(2,200)	(3,071)
Net cash provided by (used in) operating activities	1,314,744	1,213,065	1,131,352
Cash flows from investing activities:			
Purchases of property and equipment	(373,967)	(538,444)	(571,596)
Proceeds from sales of property and equipment	2,268	288,466	1,760
Net cash provided by (used in) investing activities	(371,699)	(249,978)	(569,836)
Cash flows from financing activities:			
Issuance of long-term obligations		2,297,177	500,000
Repayments of long-term obligations	(78,467)	(2,119,991)	(478,255)
Borrowings under revolving credit facilities	1,023,000	1,172,900	2,286,700
Repayments of borrowings under revolving credit facilities	(1,023,000)	(1,303,800)	(2,184,900)
Debt issuance costs		(15,996)	(15,278)
Payments for cash flow hedge related to debt issuance		(13,217)	
Repurchases of common stock	(800,095)	(620,052)	(671,459)
Other equity transactions, net of employee taxes paid	(2,373)	(26,341)	(71,393)
Tax benefit of share-based awards	12,147	30,990	87,752
Net cash provided by (used in) financing activities	(868,788)	(598,330)	(546,833)
Net increase (decrease) in cash and cash equivalents	74,257	364,757	14,683
Cash and cash equivalents, beginning of year	505,566	140,809	126,126
Cash and cash equivalents, end of year	$ 579,823	$ 505,566	$ 140,809

Supplemental cash flow information:			
Cash paid for:			
Interest	$ 82,447	$ 73,464	$ 121,712
Income taxes	$ 631,483	$ 646,811	$ 422,333

Supplemental schedule of noncash investing and financing activities:						
Purchases of property and equipment awaiting processing for payment, included in Accounts payable	$	31,586	$	27,082	$	39,147
Purchases of property and equipment under capital lease obligations	$		$		$	3,440

The accompanying notes are an integral part of the consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation and accounting policies

Basis of presentation

These notes contain references to the years 2014, 2013, and 2012, which represent fiscal years ended January 30, 2015, January 31, 2014, and February 1, 2013, respectively, each of which were 52-week accounting periods. The Company's fiscal year ends on the Friday closest to January 31. The consolidated financial statements include all subsidiaries of the Company, except for its not-for-profit subsidiary which the Company does not control. Intercompany transactions have been eliminated.

The Company sells general merchandise on a retail basis through 11,789 stores (as of January 30, 2015) in 40 states covering most of the southern, southwestern, midwestern and eastern United States. The Company has owned distribution centers ("DCs") in Scottsville, Kentucky; South Boston, Virginia; Alachua, Florida; Zanesville, Ohio; Jonesville, South Carolina; Marion, Indiana; Bessemer, Alabama; and Bethel, Pennsylvania, and leased DCs in Ardmore, Oklahoma; Fulton, Missouri; Indianola, Mississippi; and Lebec, California.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with insignificant interest rate risk and original maturities of three months or less when purchased. Such investments primarily consist of money market funds, bank deposits, certificates of deposit, and commercial paper. The carrying amounts of these items are a reasonable estimate of their fair value due to the short maturity of these investments.

Payments due from processors for electronic tender transactions classified as cash and cash equivalents totaled approximately $58.5 million and $44.0 million at January 30, 2015 and January 31, 2014, respectively.

At January 30, 2015, the Company maintained cash balances to meet a $20 million minimum threshold set by insurance regulators, as further described below under "Insurance liabilities."

Investments in debt and equity securities

The Company accounts for investments in debt and marketable equity securities as held-to-maturity, available-for-sale, or trading, depending on their classification. Debt securities categorized as held-to-maturity are stated at amortized cost. Debt and equity securities categorized as available-for-sale are stated at fair value, with any unrealized gains and losses, net of deferred income taxes, reported as a component of Accumulated other comprehensive loss. Trading securities (primarily mutual funds held pursuant to deferred compensation and supplemental retirement plans, as further discussed below in Notes 6 and 9) are stated at fair value, with changes in fair value recorded as a component of Selling, general and administrative ("SG&A") expense. The cost of securities sold is based upon the specific identification method.

Merchandise inventories

Inventories are stated at the lower of cost or market with cost determined using the retail last-in, first-out ("LIFO") method as this method results in a better matching of costs and revenues. Under the Company's retail inventory method ("RIM"), the calculation of gross profit and the resulting valuation of inventories at cost are computed by applying a calculated cost-to-retail inventory ratio to the retail value of sales at a department level. The use of the RIM will result in valuing inventories at the lower

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Basis of presentation and accounting policies (Continued)

of cost or market ("LCM") if markdowns are currently taken as a reduction of the retail value of inventories. Costs directly associated with warehousing and distribution are capitalized into inventory.

The excess of current cost over LIFO cost was approximately $95.1 million and $90.9 million at January 30, 2015 and January 31, 2014, respectively. Current cost is determined using the RIM on a first-in, first-out basis. Under the LIFO inventory method, the impacts of rising or falling market price changes increase or decrease cost of sales (the LIFO provision or benefit). The Company recorded a LIFO provision (benefit) of $4.2 million in 2014, $(11.0) million in 2013, and $1.4 million in 2012, which is included in cost of goods sold in the consolidated statements of income.

The Company purchases its merchandise from a wide variety of suppliers. The Company's largest and second largest suppliers each accounted for approximately 7% of the Company's purchases in 2014.

Vendor rebates

The Company accounts for all cash consideration received from vendors in accordance with applicable accounting standards pertaining to such arrangements. Cash consideration received from a vendor is generally presumed to be a rebate or an allowance and is accounted for as a reduction of merchandise purchase costs as earned. However, certain specific, incremental and otherwise qualifying SG&A expenses related to the promotion or sale of vendor products may be offset by cash consideration received from vendors, in accordance with arrangements such as cooperative advertising, when earned for dollar amounts up to but not exceeding actual incremental costs.

Prepaid expenses and other