

FISCAL 2000 COMPARED WITH FISCAL 1999

Sales

The Company's sales, by reportable segment, were as follows (in thousands):

YEAR ENDED AUGUST 31,	2000	1999	1998
Consumer Products	\$302,944	\$269,285	\$258,973
Training and Education	214,646	205,669	207,015
International	49,955	50,513	45,068
Other	17,654	29,456	35,556
	\$585,199	\$554,923	\$546,612

Consumer product sales increased \$33.7 million, or 13 percent, compared to the prior year. Increased sales from the Company's retail stores, wholesale channels, and the Internet were partially offset by decreased sales from the catalog, mass markets, and government products channels. Retail store sales increased as a result of 10 new stores and a 13 percent increase in comparable store sales. At August 31, 2000, the Company was operating 135 stores compared to 125 stores at August 31, 1999. Comparable store sales growth during the year was primarily fueled by increased sales of handheld electronic devices, such as the PALM® V™ by PALM®, Inc., bundled with the Company's Franklin Planner™ software, as well as sales of related accessories. Sales of handheld electronic devices and accessories represented a significantly larger percentage of total consumer product sales during fiscal 2000. As the popularity of handheld electronic devices continues to grow, the Company anticipates further sales growth from these devices in future periods. However, future sales growth is dependent upon a number of factors, including the availability of products from manufacturers, changes in technology and consumer preferences, and the introduction of new products from competitors. The Company also had increased sales from its wholesale channels (including the contract stationer channel) primarily due to increased demand from existing sales and marketing agreements, the successful introduction of new products, and the addition of new marketing and distribution agreements. Increased Internet sales were the result of continued changes in general consumer buying habits, ongoing improvements to the Company's electronic commerce infrastructure, and special promotions

advertised in the Company's catalogs and on its web site at www.franklincovey.com. Increased sales in these channels were partially offset by decreased sales from the catalog, mass markets and government products channel. The Company's catalog operation continues to be adversely affected by increased Internet sales, which the Company attributes to continuing changes in consumer buying preferences. Although catalog sales declined during fiscal 2000, catalog sales combined with Internet sales increased nine percent compared to the prior year. Sales through the mass-market channel decreased due to the termination of an agreement with a mass-market distributor. Government product sales continued to be adversely affected by uncertainties surrounding the potential closure of GSA depots and service centers.

Training and education sales increased by \$9.0 million, or four percent, compared to fiscal 1999. Increased sales from Premier Agendas, sales effectiveness, and leadership programs were partially offset by decreased sales from productivity seminars and personal coaching. Premier Agendas, which provides leadership and productivity solutions to students and others in the education market, increased sales by 20 percent over the prior year. The increase was primarily due to an increase in the number of schools that use Premier's products and services. Increased sales effectiveness revenue was due to new contracts and increased demand for seminars taught by Khalsa Associates, which was acquired by the Company during fiscal 1999. Increased leadership program sales were primarily due to improved organizational sales, especially for custom programs, and related business development program sales. Productivity program sales decreased primarily due to the timing of specialized product orders in the prior year and a decline in public seminar revenues. During fiscal 2000, the Company restructured its public seminar operations, which resulted in marketing and program delivery changes designed to improve public seminar profitability. During fiscal 2000, training sales in general were adversely affected by the relocation of certain sales associates to new regional sales offices. Personal coaching sales were adversely affected by decreased demand for coaching from one of its major clients. In response, the Company entered into a joint venture with American Marketing Systems, Inc., a major customer of the Personal Coaching division, effective September 1, 2000. The new company, Franklin Covey Coaching, LLC, will continue to provide personal coaching services for the Company