

- *Wider acceptance of tender types, including debit, credit, and even electronic benefit transfer payments.*
- *Developing a metropolitan store model, where higher sales volumes will help absorb higher operating costs.*
- *Honing in on an optimal store size: 10,000 – 15,000 square feet is ideal for us, allowing us to show the great merchandise we have to offer, while keeping the shopping trip quick and convenient for our customers. Stores of this size continue to be our best performers.*

It may seem like there's a lot on our plate, and there is. We're constantly refining what we do, because it's essential to being a high-growth retailer. "A commitment to continuous improvement is the only way to succeed in the long run," according to the authors of "The Value Factor." "The job of changing will never be 'done.'"

Our 2005 plans revolve almost entirely around stores. For the first time in years, we don't need to build any new distribution centers. We have ample capacity in our existing distribution network to support all of our store growth in 2005. And there are plenty of places where there's room for us to grow. While we're growing, I want to spend more time ensuring each prospective new location meets our criteria for cost, size, sales and profit potential. Meanwhile, we'll continue to grow our business in new and existing markets, opening about one store per day.

The Dollar Tree formula is pretty simple: New store openings + expansion of existing stores + increasing store productivity = top-line growth. We continue to work diligently to drive all three elements of that

formula to generate robust revenue growth. To a certain extent, top-line growth helps drive profitability, insofar as additional sales help us leverage the many fixed-cost investments in the business — whether it's DCs, technology systems, or our people. But we've always believed that we must continue to proactively drive cost out of the system. To that end, you can count on us to keep a sharp focus on expenses in all areas of the business, and we will focus on increasing inventory turns.

Our people are essential to our success in these initiatives. We are grateful for their tireless efforts in every aspect of the business, and it is our mission to professionally develop these people to help drive Dollar Tree's future growth. We will continue to invest significantly in the development of our associates to foster a stimulating and rewarding environment in the years ahead.

To all of our associates, customers, vendors, and shareholders: We appreciate your loyalty — past, present, and future.



Bob Sasser
President and Chief Executive Officer

Total Selling Square Footage

(In thousands)

