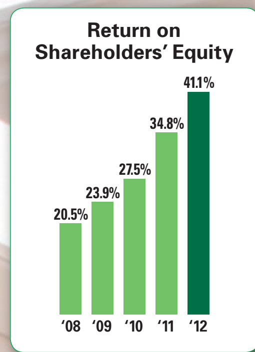
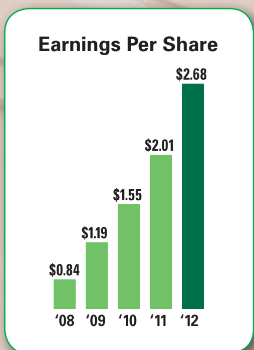
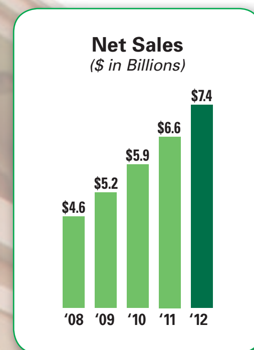
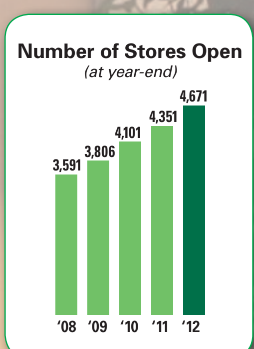
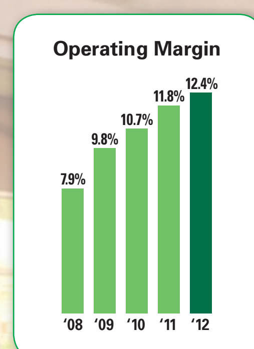
For all the Right Reasons.











Dollar Tree®

2012 Annual Report

About the Company

Dollar Tree, Inc. is the world's leading operator of $1 price-point variety stores. The Company also offers value merchandise at prices above $1 at its 194 Deals stores and at prices of $1.25 (CAD) at its 140 stores in Canada.

Dollar Tree operates more than 4,600 stores across the 48 contiguous United States and five Canadian provinces. The stores are bright, conveniently-located and fun to shop. We offer an ever-changing assortment of merchandise at surprising values. The stores are supported by a coast-to-coast logistics network and more than 80,000 associates.

A Fortune 500 Company, Dollar Tree has served North America for more than twenty-six years. The Company is headquartered in Chesapeake, Virginia. Dollar Tree continues to grow and is reaching new customers via the Internet at www.dollartree.com.

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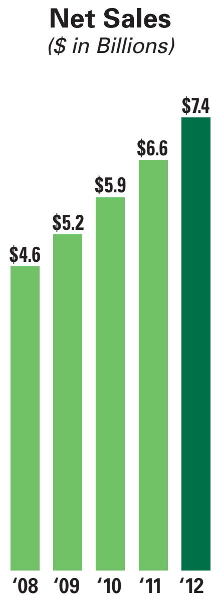
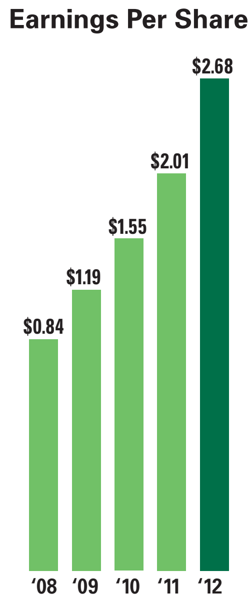
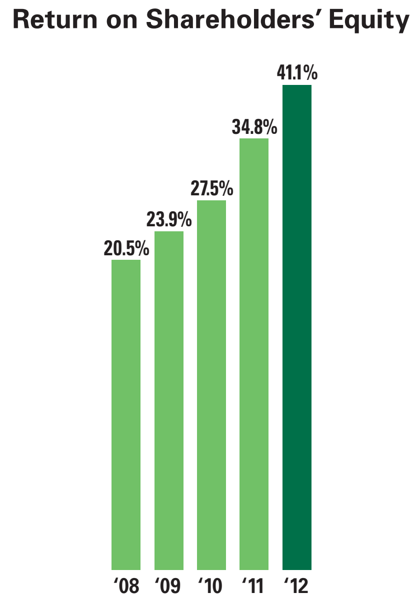






Financial Highlights

	2012[(a)]	2011	2010[(b)]	2009	2008
(in millions, except store and per share data)					
Net Sales	**$ 7,394.5**	$ 6,630.5	$ 5,882.4	$ 5,231.2	$ 4,644.9
Gross Profit	**2,652.7**	2,378.3	2,087.6	1,856.8	1,592.2
Operating Income	**920.1**	782.1	630.0	512.8	365.8
Net Income	**619.3**	488.3	397.3	320.5	229.5
Diluted Net Income Per Share[(c)]	**2.68**	2.01	1.55	1.19	0.84
Working Capital	**$ 798.1**	$ 628.4	$ 800.4	$ 829.7	$ 663.3
Total Assets	**2,752.0**	2,328.6	2,380.5	2,289.7	2,035.7
Total Debt	**271.3**	265.8	267.8	267.8	268.2
Shareholders' Equity	**1,667.3**	1,344.6	1,459.0	1,429.2	1,253.2
Number of Stores Open	**4,671**	4,351	4,101	3,806	3,591
Total Selling Square Footage	**40.5**	37.6	35.1	32.3	30.3
Comparable Store Net Sales Increase[(c)]	**3.4%**	6.0%	6.3%	7.2%	4.1%
Average Net Sales Per Store[(d)]	**$ 1.6**	$ 1.6	$ 1.5	$ 1.4	$ 1.3

(a) The 2012 results include the impact of a 53rd week, commensurate with the retail calendar, and a gain on the sale of our investment in Ollie's Holdings, Inc. The extra week contributed $125 million of revenue and $0.08 diluted earnings per share. The gain on the Ollie's sale amounted to $0.16 diluted earnings per share. All other fiscal years reported in the table contain 52 weeks.

(b) The Company recorded a non-recurring, non-cash charge to gross profit and a corresponding reduction in inventory, at cost, of $26.3 million in the first quarter 2010. Excluding this charge, diluted earnings per share in 2010 were $1.62.

(c) Reflects 2 for 1 stock split in June 2012 and a 3 for 2 stock split in June 2010.

(d) Comparable store net sales compare net store sales for stores open throughout each of the two periods being compared. Net sales per store are calculated for stores open throughout the entire period presented.

To Our Shareholders

Bob Sasser
President and Chief Executive Officer

On behalf of all Dollar Tree Associates I am pleased to report that 2012 was another year of record results for Dollar Tree. Net sales increased 11.5% to $7.39 billion. Comparable-store sales increased 3.4% on top of a 6.0% comparable-store sales increase last year. Earnings increased to a record $2.68 per diluted share compared with $2.01 earnings per diluted share in 2011. In a tough and competitive environment, we achieved operating margin of 12.4%, compared with 11.8% last year. Additionally, operating income increased by $138.0 million, and net income rose 26.8%, to $619.3 million.

We continue to grow our business and improve upon key operational metrics. In 2012, we expanded selling square footage 7.7%, ending the year with 4,671 stores across 48 U.S. states and five Canadian provinces. Meanwhile, we achieved the highest new store productivity since 2001 and increased inventory turns for the eighth consecutive year. To support future growth, we broke ground on our new Distribution Center in Windsor, Connecticut. Dollar Tree Associates can take pride in all that we accomplished, together, in 2012.

There are many reasons for Dollar Tree's continued success, beginning with our *focus on the customer*. We have a unique concept that customers love: Everything's $1.00, or less! We are vigilant about understanding what our customers need and we do our best to provide it to them. Our goal is to "Wow" the customer every time they visit, with stores that are convenient, bright, clean, fun and friendly; and filled with great merchandise at surprising values.

Our *merchandising model is powerful and flexible*, and we use this strategy of ever-changing assortments to our advantage. Our assortments are planned to offer the greatest value to the customer for $1 and to do so at a cost that delivers our desired merchandise margin. To the customer, this means there is always something new at Dollar Tree. As customers strive to balance their budgets, they can find the high value basics they need while enjoying the "Thrill of the Hunt" on every visit. Seasonal assortments are fresh, colorful and fun, providing merchandise energy in the stores.

This strategic advantage has been validated by results. History shows that we have increased our relevance throughout both inflationary and deflationary cycles by leveraging our scale and our flexibility to change the product or the source while maintaining our focus on achieving margin targets and providing extreme value to our customers for their dollar.

The Future: our plan for Sustainable Growth

Looking forward, we are excited about our potential to grow through increasing our relevance to the customer. We believe the consumers' demand for value will intensify over the next several years. As customers strive to balance their budgets they are finding that Dollar Tree is "right for all times". We plan to continue expanding our business by providing even more value to a broader range of customers. We are doing this in many ways.

The first way is by building more New Stores. Dollar Tree has grown every year since our founding in 1986, and we have plenty of room to grow in the years ahead. In fiscal 2012 we opened 345 new stores and relocated or expanded 87 stores for a total of 432 projects – including 30 projects in January 2013. In the past, we have chosen not to open stores in January, but that is changing. In fiscal 2012, due to the efficiency of our store development teams, we accelerated the opening of 25 new stores and 5 relocations from early fiscal 2013 into January, and we like the results. In addition to generating incremental sales in fiscal 2012, these stores will now give us a full year of sales in 2013 and improved productivity.

Our plan for fiscal 2013 includes approximately 340 new stores and 75 relocations for a total of 415 projects across the U.S. and Canada. This is in addition to the projects that we completed in January 2013. Square footage growth is planned to be 7.3%, on top of the 7.7% square footage growth in 2012.

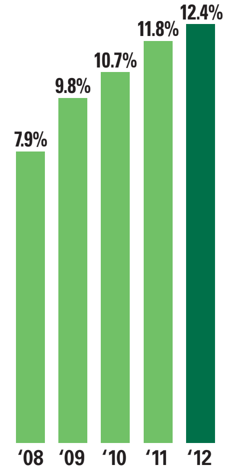
We also plan to operate Better Stores. I am particularly pleased that average new store sales per square foot increased once again in 2012, to the highest level since 2001. New store productivity has now increased each year for seven consecutive years. This improvement has been a team effort.

- Our Real Estate department is focused on improved site-selection and right-sizing our stores to the market.
- Our Merchants are working to develop more productive floor plans and expanding assortments with a focus on the most productive categories of merchandise.
- And our Field organization is opening stores faster and more efficiently through improved staffing and building the bench of qualified store management.

These have been the key elements to increasing our new store productivity and we expect this to continue.

Elements of the strategy to increase store productivity can be seen in both new and existing stores throughout the chain. Customers are seeing more powerful *Seasonal presentations*, which create interest and a fun shopping experience. We are expanding assortments in several categories including Candy, Stationery, Health and Beauty Care, and Home and Household Products to enhance our relevance to our customers. We have re-fixtured, re-merchandised and expanded assortments at the front end of our stores to create more *merchandise energy* and to *drive impulse* sales. Our store associates are emphasizing friendliness, with more effective customer engagement, and driving sales of related items through cross merchandising and suggestive selling.

Operating Margin



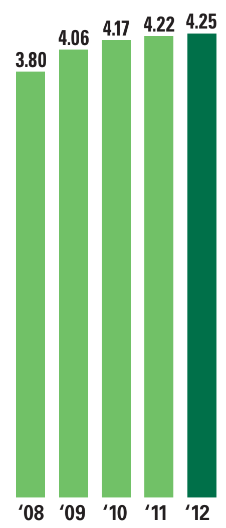
We have increased our relevance throughout inflationary and deflationary cycles... leveraging our scale and flexibility... maintaining our focus on achieving our margin targets and providing extreme value to our customers...

Our expansion of frozen and refrigerated product continues. We installed freezers and coolers in 329 stores in 2012, including 190 new stores – exceeding our goal of 325 installations. We now offer frozen and refrigerated product in 2,549 stores. This important category is extremely productive. It serves the current needs of our customers, drives traffic into our stores and provides incremental sales across all categories – including our higher-margin discretionary product. We plan to expand frozen and refrigerated product to an additional 475 stores this year.

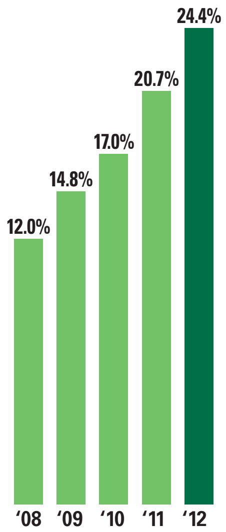
Another key component of our Growth strategy is the development of new retail formats, the expansion of our geographic reach and the development of additional channels of distribution. Specifically, that means Deals, Dollar Tree Canada and Dollar Tree Direct.

Our *Deals* format extends our ability to serve more customers with more categories and increases our unit growth potential. Deals stores deliver low prices on everyday essentials, party goods, seasonal and home products. By lifting the restriction of the $1 price point at Deals we are able to serve more customers with more products at value prices every day. Our goal is to surprise and delight our customers with every visit. Awareness of the Deals brand is growing and the concept is building momentum. I am excited about the growth

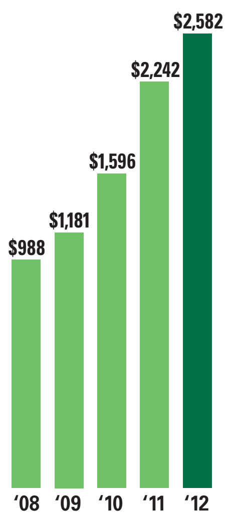
Inventory Turns



Return on Assets



Cumulative Share Repurchase
($ in Millions)



potential of Deals and particularly the opportunity that it provides to grow profitably in the higher cost-of-operation urban markets. We opened 25 new Deals stores in 2012 and ended the year with a net total of 194 stores across 18 states. We plan to continue this growth rate in 2013.

Our Canadian integration and expansion continues. We initially entered the Canadian market in the fourth quarter of 2010. In 2011 we set the foundation for future, profitable growth in the Canadian market and increased the store count by 15%. Through the investments made during 2011 in systems, training and infrastructure, we now have consistent year-on-year data on which to base our sales and assortment planning. Specifically, we have visibility to our on-hand, on-order and sales along with a trailing history by store and by SKU. These are all key factors in the management of an efficient supply chain and improving customer satisfaction.

Our merchant teams are working together to leverage the buying power of Dollar Tree to provide Canadian customers with broader, more exciting assortments and better values. We are also focused on building and solidifying store teams and improving product flow to the stores. We are working to increase the service level and in-stock position of basic products while improving the shopping experience through a more powerful seasonal presence and a higher level of merchandise energy – reflecting the best of Dollar Tree.

We are also aggressively expanding our Canadian store base. We expanded our store count by 41% in 2012, and we ended the year with 140 stores in Canada. Additionally, in 2012, we completed the re-branding of all of the former *Dollar Giant* stores in Ontario to *Dollar Tree Canada*. We will complete the transition with the re-branding of the stores in the Western provinces by the end of the third quarter this year. We see enormous potential in Canada, and we expect to grow our store count by 25% or greater in 2013.

We believe the Canadian market can support up to 1,000 Dollar Tree stores. This is in addition to the 7,000 store potential for Dollar Tree in the United States plus additional growth in our Deals format. Our goal is to be the leading retailer in Canada at the single price point of $1.25 (CAD) just as we are in the U.S. at the $1 price.

Dollar Tree Direct, our e-commerce business, is expanding as planned. This additional channel of distribution provides an opportunity to broaden our customer base, drive incremental sales, expand the brand and attract more customers into our stores. We launched our e-commerce platform in early 2009. Since then, customers have been discovering the value of Dollar Tree Direct in ever-increasing numbers. In 2012, traffic on the site grew to 17 million unique visitors, an 18.6% increase over last year, and we sent 78 million emails to existing and potential customers.

- Dollar Tree Direct now has over 2,600 items available on-line, including 850 unique items that can be purchased in less than case quantities.
- We continue to enhance the site to expand our reach and to improve the customer experience. Significant enhancements to Dollar Tree Direct such as expanding break-pack, enhancing our mobile capability and increasing our social-media presence are attracting more customers and helping to drive brand awareness.
- Also in 2012 Dollar Tree launched The Dollar Tree Value Seekers Club. Members enjoy such things as Member Exclusive crafts, contests, recipes, product offerings and more! Membership is free, and you can join the Club at www.dollartree.com.

Infrastructure to Support Growth

We have built a solid and scalable logistics infrastructure to support our retail footprint across North America. As has been our practice, we continue to add capacity strategically to support our growth ahead of the need, to support sustained, profitable growth in the years ahead.

In 2012, we broke ground on a new, one million square foot Distribution Center in Windsor, Connecticut. This new facility is scheduled to open in mid-2013. Automated for efficiency, the new Distribution Center is designed to increase capacity and provide cost effective service to our stores as we continue to expand in the Northeast.

Additionally, in January 2013, we announced plans to expand our Distribution Center in Marietta, Oklahoma by 400,000 square feet, bringing its total size to one million square feet. Both the Marietta expansion and the new Windsor Distribution Center are being financed through available cash, and both are scheduled to be operational in the third quarter this year. But that's not all. We are also expanding in the Southwest in 2013 by leasing 350,000 square feet of capacity to augment our company-owned Distribution Center in San Bernardino, California.

Corporate Governance and Shareholder Value

Dollar Tree has a long-standing commitment to responsible corporate governance and to building value for our long-term shareholders.

Our Board of Directors is active, involved, and committed to responsible corporate governance. The majority of the Board is comprised of independent directors; we have a lead independent director and all of the standing committees of the Board consist entirely of independent directors. The Board regularly reviews the Company's governance practices and has made several changes in recent years. We maintain an open dialogue with shareholders on governance matters, and we continue to increase our understanding of industry standards in corporate governance as they evolve.

Above all, we believe in strict adherence to our core values of honesty, integrity and transparency in all aspects of our business. These values are reflected in the strength of our financial controls and in our relationships with customers, suppliers, associates and our shareholders.

For 2012, we once again earned a "clean bill of health" with no material weakness noted in our assessment of controls supporting the accounting and reporting processes in compliance with the requirements of Sarbanes-Oxley legislation. In 2013, as I have stated in previous years, you can be assured that we will continue to operate Dollar Tree with an unwavering commitment to financial integrity and the related financial controls as a foundation for building long-term shareholder value.

Dollar Tree has consistently generated significant cash flow and has been a prudent manager of capital for the benefit of long-term shareholders. The best use of capital, in our view, is to support continued growth of the business at a sustainable pace. Beyond this, we have long believed that share repurchase is an effective use of excess free cash to create additional value for shareholders over the long-term. In 2012, we repurchased 7.7 million shares for $340.2 million. Altogether, since 2004, the Company has invested more than $2.5 billion for share repurchase without increasing long-term debt.

People – The Heart of our Success

None of our goals can be achieved without the collaborative efforts of our 81,000 dedicated associates, who are working hard to deliver value to our customers every day. They are the human element behind each sale. Every day, Dollar Tree Associates throughout the organization give of themselves to make sure that each customer is pleased with the shopping experience and that they leave the store with the intent to return and shop with us again and again. Their efforts and creativity are the keys to the Company's success and growth. Dollar Tree's success is measured by the success of our people.

Dollar Tree Associates can take pride in the fact that 2012 was another year of great accomplishment for our Company. Looking ahead, we are positioned to do even better. Our Company is strong and growing. We stand as a benchmark of value for our customers' basic variety store needs and wants. Our attention is focused on managing growth profitably and efficiently as we constantly search for more and better ways to serve our customers and add value for our shareholders.

Bob Sasser

Bob Sasser
President and Chief Executive Officer

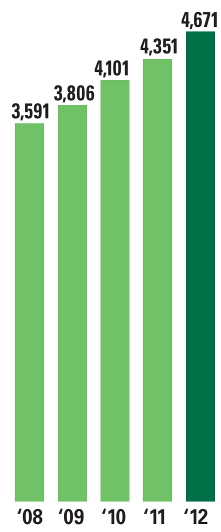
“Wowing” Our Customers

- **Great Merchandise and Surprising Value**
- **Expanding Assortments**
- **Bright, Fun, Convenient Stores**
  - ***- More and Better***

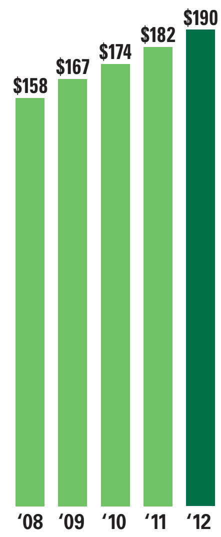
Dollar Tree strives to “Wow” our customers every day with great merchandise at surprising value in stores that are convenient, bright, clean, full, friendly and fun to shop!

We have grown steadily for 27 years, increasing our store count every year since our inception in 1986. We operate 4,671 stores across 48 states and five Canadian provinces, and our stores continue to get better each year. New store productivity in 2012 achieved the highest productivity level since 2001.

Number of Stores Open
(at year-end)



Net Sales Per Selling Square Foot




PARTY SUPPLIES
LUAU ACCESSORIES
NEED LARGER QUANTITIES?
dollartree.com
utz
DOLLAR TREE
Extra
ITEM
Keep the planet green

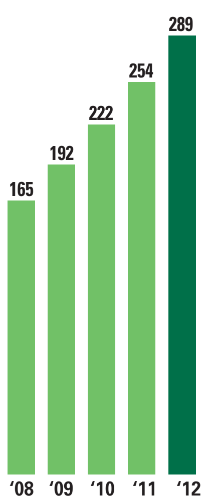
Infrastructure -
Solid, Scalable, Efficient, Expanding

Our ability to provide great value to our customers every day is supported by a solid and scalable infrastructure, including supply-chain logistics and systems.

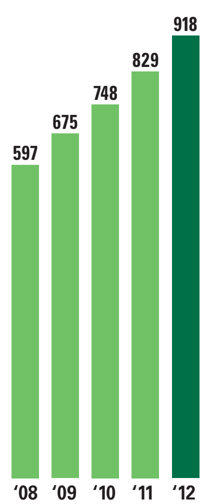
We continually upgrade our infrastructure, expanding capacity strategically to support growth ahead of need. In 2012 we broke ground on our new Distribution Center in Windsor, Connecticut, which is scheduled to begin delivering merchandise to our stores in the Northeast in the second half of this year. We are also expanding our distribution capacity in Marietta, Oklahoma and San Bernardino, California during 2013. These projects are all being financed internally, using existing cash.

At of the end of 2013 our logistics infrastructure will have capacity to support sales up to $10.2 billion in the United States, plus additional, third-party distribution capability to serve our customers in Canada.

Cartons Shipped
(in Millions)



Customer Transactions
(in Millions)



Our new, one million sq. ft. D.C., under construction in Windsor, CT., is scheduled to open in 2013.

Mississauga, Ontario
Opening 2013
1,000,000 sq. ft.
Expanded in 2007 to:
1,003,000 sq. ft.
Windsor, Connecticut
Briar Creek, Pennsylvania
August 2001
Joliet, Illinois
June 2004
1,200,000 sq. ft.
Chesapeake, Virginia
January 1998
400,000 sq. ft.
Expanding in 2013 to:
1,000,000 sq. ft.
Marietta, Oklahoma
February 2003
Olive Branch, Mississippi
January 1999
425,000 sq. ft.
Expanded in 2011 to:
1,014,000 sq. ft.
Savannah, Georgia
February 2001
U.S. Distribution Centers
Date opened and square footage
New and Expanded U.S. Distribution Centers
Third-Party Canadian Distribution Centers
Port of Entry
(non-U.S.-sourced products)
Shading indicates 2012 service area for each Distribution Center.

Constant Change and Innovation

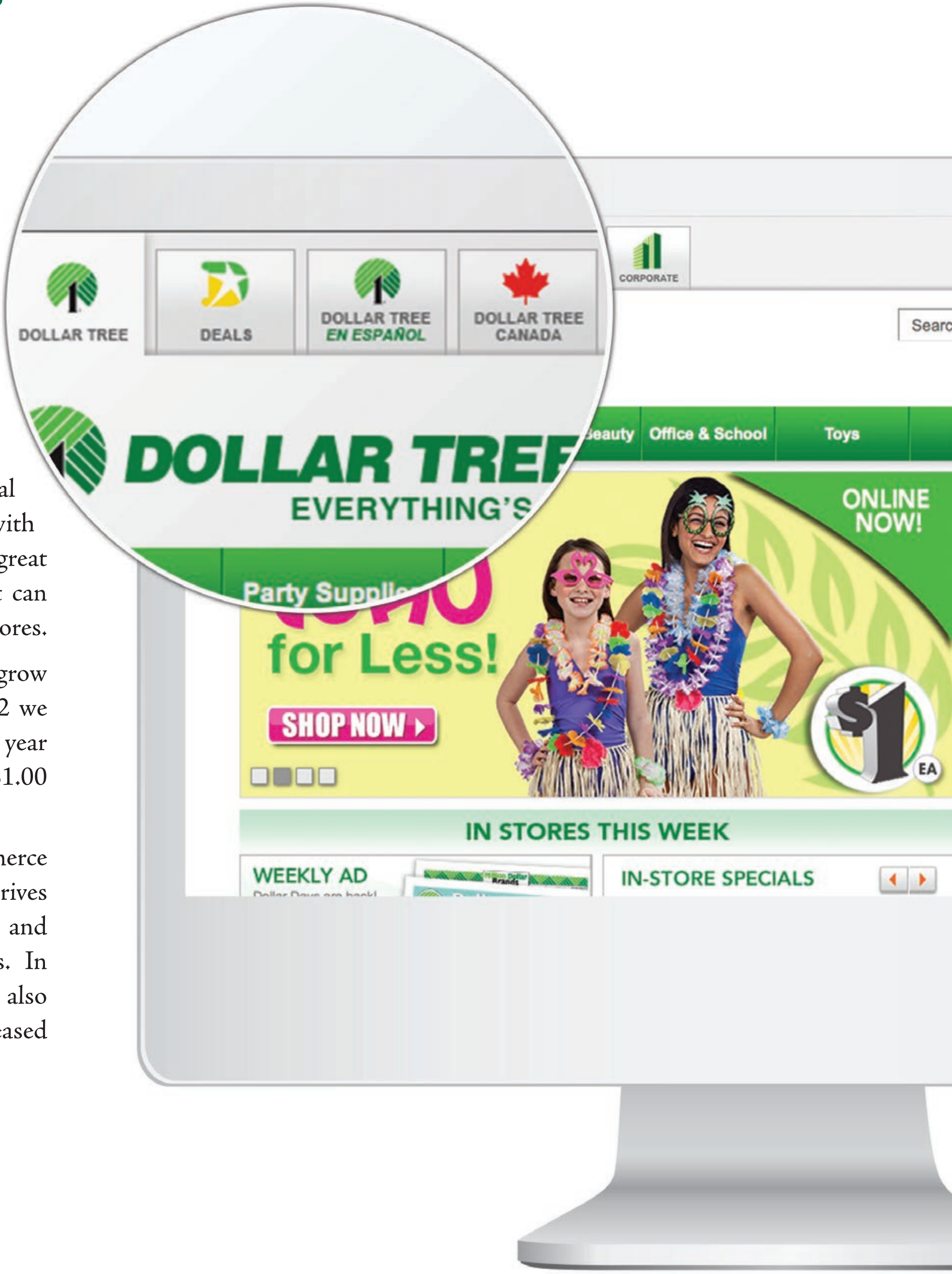
More Ways to Provide More Value to More People

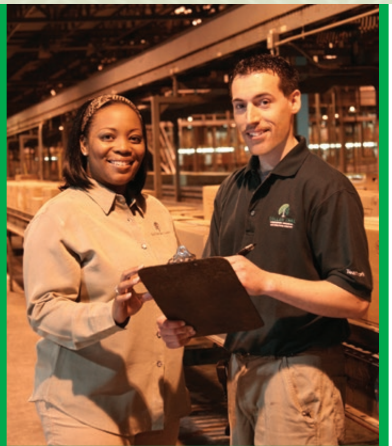
Our commitment to constant change and innovation is reflected in our Dollar Tree stores in the U.S., and in our expansion into new geographies, new formats and new channels.

We expanded our Canadian store count by 41% in 2012, for a year-end total of 140, providing Canadian customers with broader, more exciting assortments and great values. Long term, we believe this market can support up to 1,000 Dollar Tree Canada stores.

Our Deals format continues to grow and gain traction with customers. In 2012 we opened 25 new Deals stores and ended the year with 194 Deals stores. Not everything is a $1.00 at Deals, but everything is a value.

Dollar Tree Direct, our e-commerce business, broadens our customer base, drives incremental sales, expands the brand and attracts more customers into our stores. In 2012 traffic on the site grew by 18.6%. We also enhanced our mobile capability and increased our social-media presence.





Investing in People

Dollar Tree invests time, effort and capital to build value for the people we impact: our customers, associates, communities, and shareholders.

For Our Customers

We provide quality merchandise at great values in a bright, convenient shopping environment, and help to stretch their household budgets.

For Our Associates

Our growth has created tens of thousands of jobs and opportunities for advancement. We are committed to a culture that values everyone's contributions, treats everyone with respect, and encourages professional development.

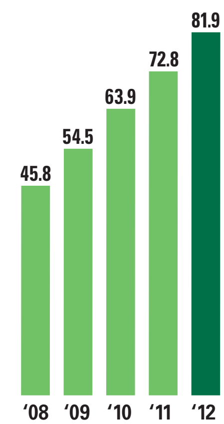
For Our Communities

We provide a wide variety of economic development and charitable contributions.

For Our Shareholders

We run our business with a focus on profitable growth and Return on Investment. We also believe that share repurchase is among the many ways we can enhance long-term shareholder value. Altogether, since 2004 we have invested more than $2.5 billion for share repurchase.

Number of Associates at year-end
(in Thousands)



Management's Discussion & Analysis of Financial Condition and Results of Operations

A WARNING ABOUT FORWARD-LOOKING STATEMENTS: This document contains "forward-looking statements" as that term is used in the Private Securities Litigation Reform Act of 1995. Forward-looking statements address future events, developments and results. They include statements preceded by, followed by or including words such as "believe," "anticipate," "expect," "intend," "plan," "view," "target" or "estimate." For example, our forward-looking statements include statements regarding:

- our anticipated sales, including comparable store net sales, net sales growth and earnings growth;
- costs of pending and possible future legal claims;
- our growth plans, including our plans to add, expand or relocate stores, our anticipated square footage increase, and our ability to renew leases at existing store locations;
- the average size of our stores to be added in 2013 and beyond;
- the effect of a shift in merchandise mix to consumables and the increase in the number of our stores with freezers and coolers on gross profit margin and sales;
- the net sales per square foot, net sales and operating income of our stores and store-level cash payback metrics;
- the potential effect of the current economic downturn, inflation and other economic changes on our costs and profitability, including the potential effect of future changes in minimum wage rates, shipping rates, domestic and import freight costs, fuel costs and wage and benefit costs;
- our gross profit margin, earnings, inventory levels and ability to leverage selling, general and administrative and other fixed costs;
- our seasonal sales patterns including those relating to the length of the holiday selling seasons and the effect of an earlier Easter in 2013;
- the capabilities of our inventory supply chain technology and other systems;
- the reliability of, and cost associated with, our sources of supply, particularly imported goods such as those sourced from China;
- the capacity, performance and cost of our distribution centers;
- our cash needs, including our ability to fund our future capital expenditures and working capital requirements;
- our expectations regarding competition and growth in our retail sector; and
- management's estimates associated with our critical accounting policies, including inventory valuation, accrued expenses and income taxes.

For a discussion of the risks, uncertainties and assumptions that could affect our future events, developments or results, you should carefully review the risk factors described in Item 1A "Risk Factors" and "Business" sections in our Annual Report on Form 10-K filed on March 15, 2013. Also see our "Management's Discussion and Analysis of Financial Condition and Results of Operations".

- Our profitability is vulnerable to cost increases.
- A downturn in economic conditions could impact our sales.
- Litigation may adversely affect our business, financial condition and results of operations.
- Changes in federal, state or local law, or our failure to comply with such laws, could increase our expenses and expose us to legal risks.
- Our growth is dependent on our ability to increase sales in existing stores and to expand our square footage profitably.
- Risks associated with our domestic and foreign suppliers from whom our products are sourced could affect our financial performance.
- We could encounter disruptions in our distribution network or additional costs in distributing merchandise.
- Our profitability is affected by the mix of products we sell.
- Pressure from competitors may reduce our sales and profits.
- A significant disruption in or security breach in our computer systems could adversely affect our operations or our ability to secure customer, employee and company data.
- Our business could be adversely affected if we fail to attract and retain qualified associates and key personnel.
- Certain provisions in our Articles of Incorporation and Bylaws could delay or discourage a takeover attempt that may be in a shareholder's best interest.

Management's Discussion & Analysis of Financial Condition and Results of Operations

Our forward-looking statements could be wrong in light of these risks, uncertainties and assumptions. The future events, developments or results described in this report could turn out to be materially different. We have no obligation to publicly update or revise our forward-looking statements after the date of this annual report and you should not expect us to do so.

Investors should also be aware that while we do, from time to time, communicate with securities analysts and others, it is against our policy to selectively disclose to them any material, nonpublic information or other confidential commercial information. Accordingly, shareholders should not assume that we agree with any statement or report issued by any securities analyst regardless of the content of the statement or report as we have a policy against confirming information issued by others. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not our responsibility.

INTRODUCTORY NOTE: Unless otherwise stated, references to "we," "our" and "Dollar Tree" generally refer to Dollar Tree, Inc. and its direct and indirect subsidiaries on a consolidated basis. Unless specifically indicated otherwise, any references to "2013" or "fiscal 2013", "2012" or "fiscal 2012", "2011" or "fiscal 2011", and "2010" or "fiscal 2010", relate to as of or for the years ended February 1, 2014, February 2, 2013, January 28, 2012 and January 29, 2011, respectively.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act are available free of charge on our website at www.dollartree.com as soon as reasonably practicable after electronic filing of such reports with the SEC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In Management's Discussion and Analysis, we explain the general financial condition and the results of operations for our company, including:

- what factors affect our business;
- what our net sales, earnings, gross margins and costs were in 2012, 2011 and 2010;
- why those net sales, earnings, gross margins and costs were different from the year before;
- how all of this affects our overall financial condition;
- what our expenditures for capital projects were in 2012 and 2011 and what we expect them to be in 2013; and
- where funds will come from to pay for future expenditures.

As you read Management's Discussion and Analysis, please refer to our consolidated financial statements, included in this Annual Report, which present the results of operations for the fiscal years ended February 2, 2013, January 28, 2012 and January 29, 2011. In Management's Discussion and Analysis, we analyze and explain the annual changes in some specific line items in the consolidated financial statements for fiscal year 2012 compared to fiscal year 2011 and for fiscal year 2011 compared to fiscal year 2010.

Management's Discussion & Analysis of Financial Condition and Results of Operations

Key Events and Recent Developments

Several key events have had or are expected to have a significant effect on our operations. You should keep in mind that:

- In July 2012, we began construction on a new 1.0 million square foot distribution center in Windsor, Connecticut. We expect to begin shipping product from this building in 2013.
- On June 6, 2012, we entered into a five-year $750.0 million unsecured Credit Agreement (the Agreement). The Agreement provides for a $750.0 million revolving line of credit, including up to $150.0 million in available letters of credit. The interest rate on the facility is based, at our option, on a LIBOR rate, plus a margin, or an alternate base rate, plus a margin. Our February 2008, $550.0 million Credit Agreement was terminated concurrent with entering into this Agreement.
- On October 7, 2011, our Board of Directors authorized the repurchase of an additional $1.5 billion of our common stock. At February 2, 2013, we had $859.8 million remaining under Board authorizations.
- On October 7, 2011, we completed a 410,000 square foot expansion of our distribution center in Savannah, Georgia. The Savannah distribution center is now a 1,014,000 square foot, fully automated facility.
- On November 15, 2010, we completed our acquisition of 86 Dollar Giant stores, located in the Canadian provinces of British Columbia, Ontario, Alberta and Saskatchewan and we have since opened stores in Manitoba. These stores offer a wide assortment of quality general merchandise, contemporary seasonal goods and everyday consumables, all priced at $1.25 (CAD) or less. This is our first expansion of retail operations outside of the United States.
- We assign cost to store inventories using the retail inventory method, determined on a weighted average cost basis. From our inception and through fiscal 2009, we used one inventory pool for this calculation. Because of our investments over the years in our retail technology systems, we were able to refine our estimate of inventory cost under the retail method and on January 31, 2010, the first day of fiscal 2010, we began using approximately 30 inventory pools in our retail inventory calculation. As a result of this change, we recorded a non-recurring, non-cash charge to gross profit and a corresponding reduction in inventory, at cost, of $26.3 million in the first quarter of 2010. This was a prospective change and did not have any effect on prior periods.
- On November 2, 2009, we purchased a new distribution center in San Bernardino, California. This new distribution center replaced our Salt Lake City, Utah leased facility whose lease ended in April 2010.

Overview

Our net sales are derived from the sale of merchandise. Two major factors tend to affect our net sales trends. First is our success at opening new stores or adding new stores through acquisitions. Second, sales vary at our existing stores from one year to the next. We refer to this change as a change in comparable store net sales, because we compare only those stores that are open throughout both of the periods being compared. We include sales from stores expanded during the year in the calculation of comparable store net sales, which has the effect of increasing our comparable store net sales. The term 'expanded' also includes stores that are relocated.

At February 2, 2013, we operated 4,671 stores in 48 states and the District of Columbia, as well as the Canadian provinces of British Columbia, Ontario, Alberta, Saskatchewan and Manitoba, with 40.5 million selling square feet compared to 4,351 stores with 37.6 million selling square feet at January 28, 2012. During fiscal 2012, we opened 345 stores, expanded 87 stores and closed 25 stores, compared to 278 new stores opened, 91 stores expanded and 28 stores closed during fiscal 2011. In the current year we increased our selling square footage by 7.7%. Of the 345 stores opened in fiscal 2012, 25 were opened in January and five were expanded in January 2013. Excluding these stores, our selling square footage increased by 7.1%. Of the 2.9 million selling square foot increase in 2012, 0.3 million was added by expanding existing stores. The average size of our stores opened in 2012 was approximately 8,060 selling square feet (or about 9,900 gross square feet). For 2013, we continue to plan to open stores that are approximately 8,000 - 10,000 selling square feet (or about 10,000 - 12,000 gross square feet). We believe that this store size is our optimal size operationally and that this size also gives our customers an ideal shopping environment that invites them to shop longer and buy more.

Fiscal 2012 ended on February 2, 2013 and included 53 weeks, commensurate with the retail calendar. The 53rd week in 2012 added approximately $125 million in sales. Fiscal 2011 and Fiscal 2010 which ended on January 28, 2012, and January 29, 2011, respectively, each included 52 weeks.

In fiscal 2012, comparable store net sales increased by 3.4%. This increase was based on the comparable 53 weeks for both years. The comparable store net sales increase was the result of a 2.8% increase in the number of transactions and a 0.6% increase in average ticket. We believe comparable store net sales continued to be positively affected by a number of our initiatives, as debit and credit card penetration continued to increase in 2012, and we continued the roll-out of frozen and refrigerated merchandise to more of our stores. At February 2, 2013 we had frozen and refrigerated merchandise in approximately 2,550 stores compared to approximately 2,220 stores at January 28, 2012. We believe that the addition of frozen and refrigerated product enables us to increase sales and earnings by increasing the number of shopping trips made by our customers. In addition, we accept food stamps (under the Supplemental Nutrition Assistance Program ("SNAP")) in approximately 4,200 qualified stores compared to 3,860 at the end of 2011.

With the pressures of the current economic environment, we have seen continued demand for basic, consumable products in 2012. As a result, we have continued to shift the mix of inventory carried in our stores to more consumer product merchandise which we believe increases the traffic in our stores and has helped to increase our sales even during the current economic downturn. While this shift in mix has impacted our merchandise costs we were able to offset that impact in the current year with decreased costs for merchandise in many of our categories.

Our point-of-sale technology provides us with valuable sales and inventory information to assist our buyers and improve our merchandise allocation to our stores. We believe that this has enabled us to better manage our inventory flow resulting in more efficient distribution and store operations and increased inventory turnover for each of the last five years.

We must continue to control our merchandise costs, inventory levels and our general and administrative expenses as increases in these line items could negatively impact our operating results.

Results of Operations

The following table expresses items from our consolidated statements of operations, as a percentage of net sales. On January 31, 2010, the first day of fiscal 2010, we began using approximately 30 inventory pools in our retail inventory calculation, rather than one inventory pool as we had used since our inception. As a result of this change, we recorded a non-recurring, non-cash charge to gross profit and a corresponding reduction in inventory, at cost, of $26.3 million in the first quarter of 2010.

	Year Ended		
	February 2, 2013	January 28, 2012	January 29, 2011
Net sales	**100.0%**	100.0%	100.0%
Cost of sales, excluding non-cash beginning inventory adjustment	**64.1%**	64.1%	64.1%
Non-cash beginning inventory adjustment	—	—	0.4%
Gross profit	**35.9%**	35.9%	35.5%
Selling, general and administrative expenses	**23.5%**	24.1%	24.8%
Operating income	**12.4%**	11.8%	10.7%
Interest expense, net	—	—	(0.1%)
Other income, net	**(0.8%)**	—	—
Income before income taxes	**13.2%**	11.8%	10.7%
Provision for income taxes	**(4.8%)**	(4.4%)	(3.9%)
Net income	**8.4%**	7.4%	6.8%

Management's Discussion & Analysis of Financial Condition and Results of Operations

Fiscal year ended February 2, 2013 compared to fiscal year ended January 28, 2012

Net Sales. Net sales increased 11.5%, or $764.0 million, in 2012 compared to 2011, resulting from sales in our new stores and the 53rd week in 2012, which accounted for approximately $125 million of the increase. Our sales increase was also impacted by a 3.4% increase in comparable store net sales for the year. This increase is based on a 53-week comparison for both periods. Comparable store net sales are positively affected by our expanded and relocated stores, which we include in the calculation, and, to a lesser extent, are negatively affected when we open new stores or expand stores near existing ones.

The following table summarizes the components of the changes in our store count for fiscal years ended February 2, 2013 and January 28, 2012.

	February 2, 2013	January 28, 2012
New stores	**345**	278
Expanded or relocated stores	**87**	91
Closed stores	**(25)**	(28)

Of the 345 new stores added in 2012, 25 stores were opened in January 2013. Of the 2.9 million selling square foot increase in 2012 approximately 0.3 million was added by expanding existing stores.

Gross profit margin was 35.9% in 2012 and 2011. Improvement in initial mark-up in many categories and occupancy and distribution cost leverage were offset by an increase in the mix of higher cost consumer product merchandise and higher freight costs in fiscal 2012 than in fiscal 2011.

Selling, General and Administrative Expenses. Selling, general and administrative expenses, as a percentage of net sales, decreased to 23.5% for 2012 compared to 24.1% for 2011. The decrease is primarily due to the following:

- Payroll expenses decreased 25 basis points due to lower incentive compensation achievement.
- Store operating costs decreased 15 basis points due to lower utility costs and reduced repairs and maintenance expenses.
- Operating and corporate expenses decreased 15 basis points due to a favorable legal settlement and lower debit and credit fees.
- Depreciation decreased 10 basis points primarily due to the leveraging associated with the increase in comparable store net sales in the current year and sales in the 53rd week of 2012.

Operating Income. Operating income margin was 12.4% in 2012 compared to 11.8% in 2011. Due to the reasons noted above, operating income margin improved 60 basis points.

Other Income, net. Other income, net in 2012 includes a $60.8 million gain on the sale of our investment in Ollie's Holdings, Inc.

Income Taxes. Our effective tax rate was 36.7% in 2012 compared to 37.4% in 2011. This decrease is the result of statute expirations and the settlement of state tax audits.

Management's Discussion & Analysis of Financial Condition and Results of Operations

Fiscal year ended January 28, 2012 compared to fiscal year ended January 29, 2011

Net Sales. Net sales increased 12.7%, or $748.0 million, in 2011 compared to 2010, resulting from sales in our new stores and a 6.0% increase in comparable store net sales. Comparable store net sales are positively affected by our expanded and relocated stores, which we include in the calculation, and, to a lesser extent, are negatively affected when we open new stores or expand stores near existing ones.

The following table summarizes the components of the changes in our store count for fiscal years ended January 28, 2012 and January 29, 2011.

	January 28, 2012	January 29, 2011
New stores	**278**	235
Acquired stores	—	86
Expanded or relocated stores	**91**	95
Closed stores	**(28)**	(26)

Of the 2.4 million selling square foot increase in 2011 approximately 0.3 million was added by expanding existing stores.

Gross profit margin was 35.9% in 2011 compared to 35.5% in 2010. Excluding the effect of the $26.3 million non-cash beginning inventory adjustment, gross profit margin remained at 35.9%. Improvement in initial mark-up in many categories and occupancy and distribution cost leverage were offset by an increase in the mix of higher cost consumer product merchandise and a smaller reduction in the shrink accrual rate in fiscal 2011 than in fiscal 2010.

Selling, General and Administrative Expenses. Selling, general and administrative expenses, as a percentage of net sales, decreased to 24.1% for 2011 compared to 24.8% for 2010. The decrease is primarily due to the following:

- Payroll expenses decreased 45 basis points due to leveraging associated with the increase in comparable store net sales in the current year, lower store hourly payroll and lower incentive compensation achievement.
- Depreciation decreased 25 basis points primarily due to the leveraging associated with the increase in comparable store net sales in the current year.

Operating Income. Operating income margin was 11.8% in 2011 compared to 10.7% in 2010. Excluding the $26.3 million non-cash adjustment to beginning inventory, operating income margin was 11.1% in 2010. Due to the reasons noted above, operating income margin excluding this charge, improved 70 basis points.

Income Taxes. Our effective tax rate was 37.4% in 2011 and 36.9% in 2010.

Management's Discussion & Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

Our business requires capital to build and open new stores, expand our distribution network and operate and expand existing stores. Our working capital requirements for existing stores are seasonal and usually reach their peak in September and October. Historically, we have satisfied our seasonal working capital requirements for existing stores and have funded our store opening and distribution network expansion programs from internally generated funds and borrowings under our credit facilities.

The following table compares cash-flow related information for the years ended February 2, 2013, January 28, 2012 and January 29, 2011:

	Year Ended		
(in millions)	**February 2, 2013**	January 28, 2012	January 29, 2011
Net cash provided by (used in):			
Operating activities	**$ 677.7**	$ 686.5	$ 518.7
Investing activities	**(261.3)**	(86.1)	(374.1)
Financing activities	**(303.4)**	(623.2)	(404.3)

Net cash provided by operating activities decreased $8.8 million in 2012 compared to 2011 due to an increase in cash used to purchase merchandise inventory and cash used for prepaid rent as a result of February 1st falling in the last week of the fiscal year partially offset by increased earnings before income taxes, depreciation and amortization in 2012 and increases in income taxes payable.

Net cash provided by operating activities increased $167.8 million in 2011 compared to 2010 due to increased earnings before income taxes, depreciation and amortization in 2011, a decrease in cash used to purchase merchandise inventories and an increase in other current liabilities due to increases in sales tax collected and accrued expenses.

Net cash used in investing activities increased $175.2 million in 2012 primarily due to the sale of $180.8 million of short-term investments in 2011 versus none in 2012 and a $62.1 million increase in capital expenditures in 2012 due to the higher number of stores opened compared to 2011 and the construction of our distribution center in Connecticut. The $62.3 million in proceeds from the sale of the investment in Ollie's Holdings, Inc. provided cash for investing activities in 2012.

Net cash used in investing activities decreased $288.0 million in 2011 compared with 2010 primarily due to an additional $170.0 million of proceeds from the sale of short-term investments with minimal purchases of short-term investments compared to $157.8 million of purchases in 2010. The proceeds were used to fund the share repurchases in 2011. In addition, in 2010 we used $49.4 million to acquire Dollar Giant. These increased sources of cash were partially offset by a $71.4 million increase in capital expenditures in 2011 due to funds for new store projects and the expansion of our distribution center in Savannah, Georgia.

In 2012, net cash used in financing activities decreased $319.8 million as a result of reduced share repurchases in 2012.

In 2011, net cash used in financing activities increased $218.9 million as a result of increased share repurchases in 2011 compared with 2010.

At February 2, 2013, our long-term borrowings were $271.3 million. We also have $110.0 million and $100.0 million Letter of Credit Reimbursement and Security Agreements, under which approximately $147.0 million were committed to letters of credit issued for routine purchases of imported merchandise at February 2, 2013.

Management's Discussion & Analysis of Financial Condition and Results of Operations

In June 2012, we entered into a five-year $750.0 million unsecured Credit Agreement (the Agreement). The Agreement provides for a $750.0 million revolving line of credit, including up to $150.0 million in available letters of credit. The interest rate on the Agreement is based, at our option, on a LIBOR rate, plus a margin, or an alternate base rate, plus a margin. The Agreement also bears a facilities fee, calculated as a percentage, as defined, of the amount available under the line of credit, payable quarterly. The Agreement also bears an administrative fee payable annually. The Agreement, among other things, requires the maintenance of certain specified financial ratios, restricts the payment of certain distributions and prohibits the incurrence of certain new indebtedness. Our February 2008, $550.0 million Credit Agreement was terminated concurrent with entering into this Agreement. As of February 2, 2013, $250.0 million was outstanding under the $750.0 million revolving line of credit.

We repurchased 8.1 million shares for $340.2 million in fiscal 2012. We repurchased 8.7 million shares for $645.9 million in fiscal 2011. We repurchased 9.3 million shares for $414.7 million in fiscal 2010. At February 2, 2013, we have $859.8 million remaining under Board authorization.

Management's Discussion & Analysis of Financial Condition and Results of Operations

Funding Requirements

Overview, Including Off-Balance Sheet Arrangements

We expect our cash needs for opening new stores and expanding existing stores in fiscal 2013 to total approximately $200.6 million, which includes capital expenditures, initial inventory and pre-opening costs.

Our estimated capital expenditures for fiscal 2013 are between $320.0 and $330.0 million, including planned expenditures for our new and expanded stores, the addition of freezers and coolers to approximately 475 stores and approximately $61.2 million to expand our distribution center in Marietta, Oklahoma and complete construction on a new distribution center in Windsor, Connecticut. We believe that we can adequately fund our working capital requirements and planned capital expenditures for the next few years from net cash provided by operations and potential borrowings under our existing credit facility.

The following tables summarize our material contractual obligations at February 2, 2013, including both on- and off-balance sheet arrangements, and our commitments, including interest on long-term borrowings (in millions):

Contractual Obligations	Total	2013	2014	2015	2016	2017	Thereafter
Lease Financing							
Operating lease obligations	$ 2,149.1	$ 493.8	$ 408.8	$ 376.4	$ 293.3	$ 207.6	$ 369.2
Long-term Borrowings							
Credit agreement	250.0	—	—	—	—	250.0	—
Demand revenue bonds	14.3	14.3	—	—	—	—	—
Forgivable promissory note	7.0	—	—	—	—	0.2	6.8
Interest on long-term borrowings	12.6	2.8	2.8	2.8	2.8	0.9	0.5
Total obligations	$ 2,433.0	$ 510.9	$ 411.6	$ 379.2	$ 296.1	$ 458.7	$ 376.5

Commitments	Total	Expiring in 2013	Expiring in 2014	Expiring in 2015	Expiring in 2016	Expiring in 2017	Thereafter
Letters of credit and surety bonds	$ 177.5	$ 177.5	$ —	$ —	$ —	$ —	$ —
Technology assets	10.8	10.8	—	—	—	—	—
Telecommunication contract	26.9	7.5	7.2	5.5	5.2	1.5	—
Total commitments	$ 215.2	$ 195.8	$ 7.2	$ 5.5	$ 5.2	$ 1.5	$ —

Management's Discussion & Analysis of Financial Condition and Results of Operations

Lease Financing

Operating Lease Obligations. Our operating lease obligations are primarily for payments under noncancelable store leases. The commitment includes amounts for leases that were signed prior to February 2, 2013 for stores that were not yet open on February 2, 2013.

Long-term Borrowings

Credit Agreement. In June 2012, we entered into a five-year $750.0 million unsecured Credit Agreement (the Agreement). The Agreement provides for a $750.0 million revolving line of credit, including up to $150.0 million in available letters of credit. The interest rate on the facility is based, at our option, on a LIBOR rate, plus a margin, or an alternate base rate, plus a margin. The interest rate on the facility was 1.11% at February 2, 2013. The revolving line of credit also bears a facilities fee, calculated as a percentage, as defined, of the amount available under the line of credit, payable quarterly. The Agreement, among other things, requires the maintenance of certain specified financial ratios, restricts the payment of certain distributions and prohibits the incurrence of certain new indebtedness. As of February 2, 2013, $250.0 million was outstanding under the $750.0 million revolving line of credit.

Demand Revenue Bonds. In May 1998, we entered into an agreement with the Mississippi Business Finance Corporation under which it issued $19.0 million of variable-rate demand revenue bonds. We used the proceeds from the bonds to finance the acquisition, construction and installation of land, buildings, machinery and equipment for our distribution facility in Olive Branch, Mississippi. At February 2, 2013, the balance outstanding on the bonds was $14.3 million. These bonds are due to be fully repaid in June 2018. The bonds do not have a prepayment penalty as long as the interest rate remains variable. The bonds contain a demand provision and, therefore, outstanding amounts are classified as current liabilities. We pay interest monthly based on a variable interest rate, which was 0.23% at February 2, 2013.

Forgivable Promissory Note In 2012, we entered into a promissory note with the state of Connecticut under which the state loaned us $7.0 million in connection with the Company's acquisition, construction and installation of land, building, machinery and equipment for our distribution facility in Windsor, Connecticut. If certain performance targets are met, the loan and any accrued interest will be forgiven in fiscal 2017. If the performance targets are not met, the loan and accrued interest must be repaid beginning in fiscal 2017.

Interest on Long-term Borrowings. This amount represents interest payments on the Credit Agreement, Demand Revenue Bond and Forgivable Promissory Note using the interest rates for each at February 2, 2013.

Commitments

Letters of Credit and Surety Bonds. We are a party to two Letter of Credit Reimbursement and Security Agreements, one which provides $110.0 million for letters of credit and one which provides $100.0 million for letters of credit. Letters of credit are generally issued for the routine purchase of imported merchandise and we had approximately $147.0 million of purchases committed under these letters of credit at February 2, 2013.

We also have approximately $12.9 million of letters of credit outstanding for our self-insurance programs, $14.5 million of letters of credit outstanding for our Demand Revenue Bonds, and $3.1 million of surety bonds outstanding primarily for certain utility payment obligations at some of our stores.

Technology Assets. We have commitments totaling approximately $10.8 million to primarily purchase store technology assets for our stores during 2012.

Telecommunication Contracts. We have contracted for telecommunication services with contracts expiring in 2017. The total amount of these commitments is approximately $26.9 million.

Derivative Financial Instruments

In 2012, we were party to fuel derivative contracts with third parties which included approximately 4.8 million gallons of diesel fuel, or approximately 35% of our domestic truckload fuel needs. These derivative contracts do not qualify for hedge accounting and therefore all changes in fair value for these derivatives are included in earnings. We currently have fuel derivative contracts to hedge 0.7 million gallons of diesel fuel, or approximately 20% of our domestic truckload fuel needs from February 2013 through April 2013.

In March 2008, we entered into two $75.0 million interest rate swap agreements. These interest rate swaps were used to manage the risk associated with interest rate fluctuations on a portion of our 2008 $250.0 million variable rate term loan. Under these agreements, we paid interest to financial institutions at a fixed rate of 2.8%. In exchange, the financial institutions paid us at a variable rate, which approximated the variable rate on the debt, excluding the credit spread. These swaps qualified for hedge accounting treatment and expired in March 2011.

Critical Accounting Policies

The preparation of financial statements requires the use of estimates. Certain of our estimates require a high level of judgment and have the potential to have a material effect on the financial statements if actual results vary significantly from those estimates. Following is a discussion of the estimates that we consider critical.

Inventory Valuation

As discussed in Note 1 to the Consolidated Financial Statements, inventories at the distribution centers are stated at the lower of cost or market with cost determined on a weighted-average basis. Cost is assigned to store inventories using the retail inventory method on a weighted-average basis. Under the retail inventory method, the valuation of inventories at cost and the resulting gross margins are computed by applying a calculated cost-to-retail ratio to the retail value of inventories. From our inception and through fiscal 2009, we used one inventory pool for this calculation. Because of our investments over the years in our retail technology systems, we were able to refine our estimate of inventory cost under the retail method and on January 31, 2010, the first day of fiscal 2010, we began using approximately 30 inventory pools in our retail inventory calculation. As a result of this change, we recorded a non-recurring, non-cash charge to gross profit and a corresponding reduction in inventory, at cost, of approximately $26.3 million in the first quarter of 2010. The retail inventory method is an averaging method that is widely used in the retail industry and results in valuing inventories at lower of cost or market when markdowns are taken as a reduction of the retail value of inventories on a timely basis.

Inventory valuation methods require certain significant management estimates and judgments, including estimates of future merchandise markdowns and shrink, which significantly affect the ending inventory valuation at cost as well as the resulting gross margins. The averaging required in applying the retail inventory method and the estimates of shrink and markdowns could, under certain circumstances, result in costs not being recorded in the proper period.

We estimate our markdown reserve based on the consideration of a variety of factors, including, but not limited to, quantities of slow moving or seasonal, carryover merchandise on hand, historical markdown statistics and future merchandising plans. The accuracy of our estimates can be affected by many factors, some of which are outside of our control, including changes in economic conditions and consumer buying trends. Historically, we have not experienced significant differences in our estimated reserve for markdowns compared with actual results.

Our accrual for shrink is based on the actual, historical shrink results of our most recent physical inventories adjusted, if necessary, for current economic conditions and business trends. These estimates are compared to actual results as physical inventory counts are taken and reconciled to the general ledger. Our physical inventory counts are generally taken between January and September of each year; therefore, the shrink accrual recorded at February 2, 2013 is based on estimated shrink for most of 2012, including the fourth quarter. We have not experienced significant fluctuations in historical shrink rates beyond approximately 10-20 basis points in our Dollar Tree stores for the last few years. However, we have sometimes experienced higher than typical shrink in acquired stores in the year following an acquisition. We periodically adjust our shrink estimates to address these factors as they become apparent.

Our management believes that our application of the retail inventory method results in an inventory valuation that reasonably approximates cost and results in carrying inventory at the lower of cost or market each year on a consistent basis.

Accrued Expenses

On a monthly basis, we estimate certain expenses in an effort to record those expenses in the period incurred. Our most material estimates include domestic freight expenses, self-insurance costs, store-level operating expenses, such as property taxes and utilities, and certain other expenses, such as legal reserves. Our freight and store-level operating expenses are estimated based on current activity and historical trends and results. Our workers' compensation and general liability insurance accruals are recorded based on actuarial valuations which are adjusted at least annually based on a review performed by a third-party actuary. These actuarial valuations are estimates based on our historical loss development factors. Certain other expenses are estimated and recorded in the periods that management becomes aware of them. The related accruals are adjusted as management's estimates change. Differences in management's estimates and assumptions could result in an accrual materially different from the calculated accrual. Our experience has been that some of our estimates are too high and others are too low. Historically, the net total of these differences has not had a material effect on our financial condition or results of operations. Our legal proceedings are described in Note 4 of the Consolidated Financial Statements. The outcome of litigation, particularly class or collective action lawsuits, is difficult to assess, quantify or predict.

Income Taxes

On a quarterly basis, we estimate our required income tax liability and assess the recoverability of our deferred tax assets. Our income taxes payable are estimated based on enacted tax rates, including estimated tax rates in states where our store base is growing, applied to the income expected to be taxed currently. Management assesses the recoverability of deferred tax assets based on the availability of carrybacks of future deductible amounts and management's projections for future taxable income. We cannot guarantee that we will generate taxable income in future years. Historically, we have not experienced significant differences in our estimates of our tax accrual.

In addition, we have a recorded liability for our estimate of uncertain tax positions taken or expected to be taken in our tax returns. Judgment is required in evaluating the application of federal and state tax laws, including relevant case law, and assessing whether it is more likely than not that a tax position will be sustained on examination and, if so, judgment is also required as to the measurement of the amount of tax benefit that will be realized upon settlement with the taxing authority. Income tax expense is adjusted in the period in which new information about a tax position becomes available or the final outcome differs from the amounts recorded. We believe that our liability for uncertain tax positions is adequate. For further discussion of our changes in reserves during 2012, see Note 3 of the Consolidated Financial Statements.

Seasonality and Quarterly Fluctuations

We experience seasonal fluctuations in our net sales, comparable store net sales, operating income and net income and expect this trend to continue. Our results of operations may also fluctuate significantly as a result of a variety of factors, including:

- shifts in the timing of certain holidays, especially Easter;
- the timing of new store openings;
- the net sales contributed by new stores;
- changes in our merchandise mix; and
- competition.

Our highest sales periods are the Christmas and Easter seasons. Easter was observed on April 24, 2011, April 8, 2012, and will be observed on March 31, 2013. We believe that the earlier Easter in 2013 could result in a $4.0 million decrease in sales in the first quarter of 2013 as compared to the first quarter of 2012. We generally realize a disproportionate amount of our net sales and of our operating and net income during the fourth quarter. In anticipation of increased sales activity during these months, we purchase substantial amounts of inventory and hire a significant number of temporary employees to supplement our continuing store staff. Our operating results, particularly operating and net income, could suffer if our net sales were below seasonal norms during the fourth quarter or during the Easter season for any reason, including merchandise delivery delays due to receiving or distribution problems, changes in consumer sentiment or inclement weather. Fiscal 2012 consisted of 53 weeks, commensurate with the retail calendar. This extra week contributed approximately $125 million of sales in 2012. Fiscal 2013 will consist of 52 weeks. In fiscal 2013, there is one fewer weekend between Thanksgiving and Christmas compared to fiscal 2012. We believe this could potentially reduce the number of customer visits to our stores during the Christmas selling season in fiscal 2013 compared to fiscal 2012.

Our unaudited results of operations for the eight most recent quarters are shown in a table in Note 12 of the Consolidated Financial Statements.

Inflation and Other Economic Factors

Our ability to provide quality merchandise at a fixed price and on a profitable basis may be subject to economic factors and influences that we cannot control. Consumer spending could decline because of economic pressures, including unemployment and rising fuel prices. Reductions in consumer confidence and spending could have an adverse effect on our sales. National or international events, including war or terrorism, could lead to disruptions in economies in the United States or in foreign countries. These and other factors could increase our merchandise costs, fuel costs and other costs that are critical to our operations, such as shipping and wage rates.

Shipping Costs. Currently, trans-Pacific shipping rates are negotiated with individual freight lines and are subject to fluctuation based on supply and demand for containers and current fuel costs. We can give no assurances as to the final rate trends for 2013, as we are in the early stages of our negotiations.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various types of market risk in the normal course of our business, including the impact of interest rate changes and diesel fuel cost changes. We may enter into interest rate or diesel fuel swaps to manage exposure to interest rate and diesel fuel price changes. We do not enter into derivative instruments for any purpose other than cash flow hedging and we do not hold derivative instruments for trading purposes.

Diesel Fuel Cost Risk

In order to manage fluctuations in cash flows resulting from changes in diesel fuel costs, we entered into fuel derivative contracts with third parties. We hedged 4.8 million, 3.5 million and 5.0 million gallons of diesel fuel in 2012, 2011 and 2010, respectively. These hedges represented approximately 35%, 31% and 39% of our total domestic truckload fuel needs in 2012, 2011 and 2010, respectively. We currently have fuel derivative contracts to hedge 0.7 million gallons of diesel fuel, or approximately 20% of our domestic truckload fuel needs from February 2013 through April 2013. Under these contracts, we pay the third party a fixed price for diesel fuel and receive variable diesel fuel prices at amounts approximating current diesel fuel costs, thereby creating the economic equivalent of a fixed-rate obligation. These derivative contracts do not qualify for hedge accounting and therefore all changes in fair value for these derivatives are included in earnings. The fair value of these contracts at February 2, 2013 was an asset of $0.5 million.

Interest Rate Risk

We use variable-rate debt to finance certain of our operations and capital improvements. These obligations expose us to variability in interest payments due to changes in interest rates. If interest rates increase, interest expense increases. Conversely, if interest rates decrease, interest expense also decreases. We believe it is beneficial to limit the variability of our interest payments.

To meet this objective, we entered into derivative instruments in the form of two $75.0 million interest rate swaps in March 2008 to manage fluctuations in cash flows resulting from changes in the variable-interest rates on a portion of our 2008 $250.0 million term loan. The interest rate swaps reduced the interest rate exposure on these variable-rate obligations. Under the interest rate swaps, we paid the bank at a fixed-rate and received variable-interest at a rate approximating the variable-rate on the obligation, thereby creating the economic equivalent of a fixed-rate obligation. These swaps expired in March 2011.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Dollar Tree, Inc.:

We have audited the accompanying consolidated balance sheets of Dollar Tree, Inc. (the Company) as of February 2, 2013 and January 28, 2012, and the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the fiscal years in the three-year period ended February 2, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of February 2, 2013 and January 28, 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended February 2, 2013, 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 Tree, Inc.'s internal control over financial reporting as of February 2, 2013, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 15, 2013 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

Norfolk, Virginia
March 15, 2013

Consolidated Statements of Operations

(in millions, except per share data)	Year Ended **February 2, 2013**	 January 28, 2012	 January 29, 2011
Net sales	**$ 7,394.5**	$ 6,630.5	$ 5,882.4
Cost of sales, excluding non-cash beginning inventory adjustment	**4,741.8**	4,252.2	3,768.5
Non-cash beginning inventory adjustment	**—**	—	26.3
Gross profit	**2,652.7**	2,378.3	2,087.6
Selling, general and administrative expenses	**1,732.6**	1,596.2	1,457.6
Operating income	**920.1**	782.1	630.0
Interest expense, net	**2.8**	2.9	5.6
Other income, net	**(61.6)**	(0.3)	(5.5)
Income before income taxes	**978.9**	779.5	629.9
Provision for income taxes	**359.6**	291.2	232.6
Net income	**$ 619.3**	$ 488.3	$ 397.3
Basic net income per share	**$ 2.70**	$ 2.03	$ 1.56
Diluted net income per share	**$ 2.68**	$ 2.01	$ 1.55

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

(in millions)	Year Ended February 2, 2013	January 28, 2012	January 29, 2011
Net income	**$ 619.3**	$ 488.3	$ 397.3
Foreign currency translation adjustments	**(0.9)**	(0.3)	(0.2)
Fair value adjustment - derivative cash flow hedging instrument, net of tax	—	0.1	2.2
Total comprehensive income	**$ 618.4**	$ 488.1	$ 399.3

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

(in millions, except share and per share data)	**February 2, 2013**	January 28, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 399.9**	$ 288.3
Merchandise inventories, net	**971.7**	867.4
Current deferred tax assets, net	**22.5**	26.2
Prepaid expenses and other current assets	**79.4**	27.5
Total current assets	**1,473.5**	1,209.4
Property, plant and equipment, net	**960.7**	825.3
Goodwill	**173.3**	173.1
Deferred tax assets, net	**28.3**	16.8
Other assets, net	**116.2**	104.0
TOTAL ASSETS	**$ 2,752.0**	$ 2,328.6
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	**$ 14.3**	$ 15.5
Accounts payable	**346.5**	286.7
Other current liabilities	**235.8**	215.5
Income taxes payable	**79.6**	63.3
Total current liabilities	**676.2**	581.0
Long-term debt, excluding current portion	**257.0**	250.0
Income taxes payable, long-term	**5.6**	15.5
Other liabilities	**145.9**	137.5
Total liabilities	**1,084.7**	984.0
Commitments and contingencies		
Shareholders' equity:		
Common stock, par value $0.01. 400,000,000 shares authorized, 224,584,393 and 231,164,300 shares issued and outstanding at February 2, 2013 and January 28, 2012, respectively	**2.2**	1.1
Additional paid-in capital	**0.3**	—
Accumulated other comprehensive loss	**(1.5)**	(0.6)
Retained earnings	**1,666.3**	1,344.1
Total shareholders' equity	**1,667.3**	1,344.6
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 2,752.0**	$ 2,328.6

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

Years Ended February 2, 2013, January 28, 2012, and January 29, 2011

(in millions)	Common Stock Shares	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Shareholders' Equity
Balance at January 30, 2010	262.6	$ 0.9	$ —	$ (2.4)	$ 1,430.7	$ 1,429.2
Net income	—	—	—	—	397.3	397.3
Total other comprehensive income	—	—	—	2.0	—	2.0
Transfer from additional paid-in capital for Common Stock dividend	—	0.4	(0.4)	—	—	—
Payment for fractional shares resulting from Common Stock dividend	—	—	(0.3)	—	—	(0.3)
Issuance of stock under Employee Stock Purchase Plan	0.3	—	4.4	—	—	4.4
Exercise of stock options, including income tax benefit of $1.9	1.6	—	17.9	—	—	17.9
Repurchase and retirement of shares	(18.7)	(0.1)	(44.8)	—	(369.8)	(414.7)
Stock-based compensation, net, including income tax benefit of $5.9	1.0	—	23.2	—	—	23.2
Balance at January 29, 2011	246.8	1.2	—	(0.4)	1,458.2	1,459.0
Net income	—	—	—	—	488.3	488.3
Total other comprehensive loss	—	—	—	(0.2)	—	(0.2)
Issuance of stock under Employee Stock Purchase Plan	0.2	—	4.4	—	—	4.4
Exercise of stock options, including income tax benefit of $3.0	0.7	—	9.5	—	—	9.5
Repurchase and retirement of shares	(17.4)	(0.1)	(43.4)	—	(602.4)	(645.9)
Stock-based compensation, net, including tax benefit of $10.8	0.9	—	29.5	—	—	29.5
Balance at January 28, 2012	231.2	1.1	—	(0.6)	1,344.1	1,344.6
Net income	—	—	—	—	619.3	619.3
Total other comprehensive loss	—	—	—	(0.9)	—	(0.9)
Transfer from additional paid-in capital for Common Stock dividend	—	1.2	(1.2)	—	—	—
Issuance of stock under Employee Stock Purchase Plan	0.1	—	4.8	—	—	4.8
Exercise of stock options, including income tax benefit of $7.0	0.6	—	12.8	—	—	12.8
Repurchase and retirement of shares	(8.1)	(0.1)	(43.0)	—	(297.1)	(340.2)
Stock-based compensation, net, including tax benefit of $14.3	0.8	—	26.9	—	—	26.9
Balance at February 2, 2013	**224.6**	**$ 2.2**	**$ 0.3**	**$ (1.5)**	**$1,666.3**	**$ 1,667.3**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(in millions)	Year Ended February 2, 2013	January 28, 2012	January 29, 2011
Cash flows from operating activities:			
Net income	**$ 619.3**	$ 488.3	$ 397.3
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**175.3**	163.9	159.7
Gain on sale of Ollie's investment	**(60.8)**	—	—
Provision for deferred income taxes	**(7.7)**	10.9	(14.4)
Stock-based compensation expense	**35.5**	31.6	28.3
Non-cash adjustment to beginning inventory	—	—	26.3
Other non-cash adjustments to net income	**4.1**	4.4	5.0
Changes in assets and liabilities increasing (decreasing) cash and cash equivalents:			
Merchandise inventories	**(104.0)**	(64.5)	(126.7)
Other assets	**(56.7)**	(1.3)	2.0
Accounts payable	**59.3**	26.9	28.1
Income taxes payable	**16.3**	(1.1)	15.2
Other current liabilities	**20.3**	25.4	(9.2)
Other liabilities	**(23.2)**	2.0	7.1
Net cash provided by operating activities	**677.7**	686.5	518.7
Cash flows from investing activities:			
Capital expenditures	**(312.2)**	(250.1)	(178.7)
Purchase of short-term investments	—	(6.0)	(157.8)
Proceeds from sale of short-term investments	—	180.8	10.8
Proceeds from sale of Ollie's investment	**62.3**	—	—
Purchase of restricted investments	**(11.0)**	(16.3)	(50.9)
Proceeds from sale of restricted investments	—	5.3	52.1
Acquisition of Dollar Giant, net of cash acquired of $1.9	—	—	(49.4)
Foreign currency gain/loss	**(0.4)**	0.2	—
Acquisition of favorable lease rights	—	—	(0.2)
Net cash used in investing activities	**(261.3)**	(86.1)	(374.1)
Cash flows from financing activities:			
Principal payments under long-term debt and capital lease obligations	**(1.5)**	(2.0)	(15.1)
Proceeds from long-term debt	**7.0**	—	—
Payments for share repurchases	**(340.2)**	(645.9)	(417.1)
Proceeds from stock issued pursuant to stock-based compensation plans	**10.0**	10.9	20.1
Tax benefit of exercises/vesting of equity-based compensation	**21.3**	13.8	7.8
Net cash used in financing activities	**(303.4)**	(623.2)	(404.3)
Effect of exchange rate changes on cash and cash equivalents	**(1.4)**	(0.1)	(0.7)
Net increase (decrease) in cash and cash equivalents	**111.6**	(22.9)	(260.4)
Cash and cash equivalents at beginning of year	**288.3**	311.2	571.6
Cash and cash equivalents at end of year	**$ 399.9**	$ 288.3	$ 311.2
Supplemental disclosure of cash flow information:			
Cash paid for:			
Interest	**$ 3.3**	$ 3.2	$ 6.5
Income taxes	**$ 333.9**	$ 268.3	$ 223.7

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Dollar Tree, Inc. (the Company) is the leading operator of discount variety retail stores offering merchandise at the fixed price of $1.00 or less with 4,671 discount variety retail stores in the United States and Canada at February 2, 2013. Below are those accounting policies considered by the Company to be significant.

Principles of Consolidation

The consolidated financial statements include the financial statements of Dollar Tree, Inc., and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Foreign Currency

The functional currencies of the Company's international subsidiaries are primarily the local currencies of the countries in which the subsidiaries are located. Foreign currency denominated assets and liabilities are translated into U.S. dollars using the exchange rates in effect at the consolidated balance sheet date. Results of operations and cash flows are translated using the average exchange rates throughout the period. The effect of exchange rate fluctuations on translation of assets and liabilities is included as a component of shareholders' equity in accumulated other comprehensive income (loss). Gains and losses from foreign currency transactions, which are included in non-operating income (expense), have not been significant.

Stock Dividends

On May 29, 2012, the Company's Board of Directors approved a 2-for-1 stock split in the form of a 100% common stock dividend. New shares were distributed on June 26, 2012 to shareholders of record as of the close of business on June 12, 2012. As a result, all share and per share data in these consolidated financial statements and accompanying notes have been retroactively adjusted to reflect these dividends, each having the effect of a 2-for-1 stock split. In connection with the stock dividend authorized by the Company's Board of Directors in 2010, the company issued one-half share for each outstanding share of Common Stock, payable June 24, 2010 to shareholders of record as of June 10, 2010.

Segment Information

The Company's retail stores represent a single operating segment based on the way the Company manages its business. Operating decisions are made at the Company level in order to maintain a consistent retail store presentation. The Company's retail stores sell similar products and services, use similar processes to sell those products and services, and sell their products and services to similar classes of customers. The amounts of long-lived assets and net sales outside of the U.S. were not significant for any of the periods presented.

Fiscal Year

The Company's fiscal year ends on the Saturday closest to January 31. Any reference herein to "2012" or "Fiscal 2012," "2011" or "Fiscal 2011," and "2010" or "Fiscal 2010," relates to as of or for the years ended February 2, 2013, January 28, 2012, and January 29, 2011, respectively. Fiscal 2012 ended on February 2, 2013 and included 53 weeks, commensurate with the retail calendar. Fiscal 2011 and 2010 each included 52 weeks.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents at February 2, 2013 and January 28, 2012 includes $344.5 million and $249.3 million, respectively, of investments primarily in money market securities which are valued at cost, which approximates fair value. For purposes of the consolidated statements of cash flows, the Company considers all highly liquid debt instruments with original maturities of 3 months or less to be cash equivalents. The majority of payments due from financial institutions for the settlement of debit card and credit card transactions process within 3 business days, and therefore are classified as cash and cash equivalents.

Merchandise Inventories

Merchandise inventories at the Company's distribution centers are stated at the lower of cost or market, determined on a weighted-average cost basis. Cost is assigned to store inventories using the retail inventory method on a weighted-average basis. Under the retail inventory method, the valuation of inventories at cost and the resulting gross margins are computed by applying a calculated cost-to-retail ratio to the retail value of inventories. From its inception through fiscal 2009, the Company used one inventory pool for this calculation. Because of investments over the years in retail technology systems, the Company was able to refine the estimate of inventory cost under the retail method. On January 31, 2010, the first day of fiscal 2010, the Company began using approximately thirty inventory pools in its retail inventory calculation. As a result of this change, the Company recorded a non-recurring, non-cash charge to gross profit and a corresponding reduction in inventory, at cost, of approximately $26.3 million in the first quarter of 2010. This was a prospective change and did not have any effect on prior periods. This change in estimate to include thirty inventory pools in the retail method calculation is preferable to using one pool in the calculation as it gives the Company a more accurate estimate of cost of store level inventories.

Costs directly associated with warehousing and distribution are capitalized as merchandise inventories. Total warehousing and distribution costs capitalized into inventory amounted to $38.8 million and $34.5 million at February 2, 2013 and January 28, 2012, respectively.

Property, Plant and Equipment

Property, plant and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings	39 to 40 years
Furniture, fixtures and equipment	3 to 15 years

Leasehold improvements and assets held under capital leases are amortized over the estimated useful lives of the respective assets or the committed terms of the related leases, whichever is shorter. Amortization is included in "selling, general and administrative expenses" in the accompanying consolidated statements of operations.

Costs incurred related to software developed for internal use are capitalized and amortized generally over 3 years.

Goodwill

Goodwill is not amortized, but rather tested for impairment at least annually. In addition, goodwill will be tested on an interim basis if an event or circumstance indicates that it is more likely than not that an impairment loss has been incurred. The Company performed its annual impairment testing in November 2012 and determined that no impairment loss existed.

Other Assets, Net

Other assets, net consists primarily of restricted investments and intangible assets. Restricted investments were $94.6 million and $83.6 million at February 2, 2013 and January 28, 2012, respectively and were purchased to collateralize long-term insurance obligations. These investments are primarily in tax-exempt money market funds that invest in short-term municipal obligations. These investments are classified as available for sale and are recorded at fair value, which approximates cost. Intangible assets primarily include favorable lease rights with finite useful lives and are amortized over their respective estimated useful lives.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

The Company reviews its long-lived assets and certain identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets based on discounted cash flows or other readily available evidence of fair value, if any. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. In fiscal 2012, 2011 and 2010, the Company recorded charges of $0.5 million, $0.9 million and $1.1 million, respectively, to write down certain assets. These charges are recorded as a component of "selling, general and administrative expenses" in the accompanying consolidated statements of operations.

Notes to Consolidated Financial Statements

Financial Instruments

The Company utilizes derivative financial instruments to reduce its exposure to market risks from changes in interest rates and diesel fuel costs. By entering into receive-variable, pay-fixed interest rate and diesel fuel swaps, the Company limits its exposure to changes in variable interest rates and diesel fuel prices. The Company is exposed to credit-related losses in the event of non-performance by the counterparty to these instruments but minimizes this risk by entering into transactions with high quality counterparties. Interest rate or diesel fuel cost differentials paid or received on the swaps are recognized as adjustments to interest and freight expense, respectively, in the period earned or incurred. The Company formally documents all hedging relationships, if applicable, and assesses hedge effectiveness both at inception and on an ongoing basis. The Company entered into diesel fuel swaps that do not qualify for hedge accounting. The fair values of these diesel fuel swaps are recorded in the accompanying consolidated balance sheets as a component of "other current assets".

Fair Value Measurements

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, a fair value hierarchy has been established that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and

Level 3 – Unobservable inputs in which there is little or no market data which require the reporting entity to develop its own assumptions.

The Company's cash and cash equivalents, restricted investments and diesel fuel swaps represent the financial assets and liabilities that were accounted for at fair value as of February 2, 2013. As required, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. The fair value of the Company's cash and cash equivalents and restricted investments was $399.9 million and $94.6 million, respectively at February 2, 2013. These fair values were determined using Level 1 measurements in the fair value hierarchy. The fair value of the diesel fuel swaps was an asset of $0.5 million as of February 2, 2013. The fair values of the swaps were estimated using Level 2 measurements in the fair value hierarchy. These estimates used discounted cash flow calculations based upon forward interest-rate yield and diesel cost curves. The curves were obtained from independent pricing services reflecting broker market quotes.

The carrying value of the Company's Demand Revenue Bonds and Unsecured Credit Agreement long-term debt approximates its fair value because the debt's interest rate varies with market interest rates.

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (e.g., when there is evidence of impairment). The Company recorded an impairment charge of $0.5 million in fiscal 2012 to reduce certain store assets to their estimated fair value. The fair values were determined based on the income approach, in which the Company utilized internal cash flow projections over the life of the underlying lease agreements discounted based on a risk-free rate of return. These measures of fair value, and related inputs, are considered a level 3 approach under the fair value hierarchy. There were no other changes related to level 3 assets.

Lease Accounting

The Company leases most all of its retail locations under operating leases. The Company recognizes minimum rent expense starting when possession of the property is taken from the landlord, which normally includes a construction period prior to store opening. When a lease contains a predetermined fixed escalation of the minimum rent, the Company recognizes the related rent expense on a straight-line basis and records the difference between the recognized rental expense and the amounts payable under the lease as deferred rent. The Company also receives tenant allowances, which are recorded in deferred rent and are amortized as a reduction of rent expense over the term of the lease.

Notes to Consolidated Financial Statements

Revenue Recognition

The Company recognizes sales revenue at the time a sale is made to its customer.

Taxes Collected

The Company reports taxes assessed by a governmental authority that are directly imposed on revenue-producing transactions (i.e., sales tax) on a net (excluded from revenues) basis.

Cost of Sales

The Company includes the cost of merchandise, warehousing and distribution costs, and certain occupancy costs in cost of sales.

Pre-Opening Costs

The Company expenses pre-opening costs for new, expanded and relocated stores, as incurred.

Advertising Costs

The Company expenses advertising costs as they are incurred and they are included in "selling, general and administrative expenses" on the accompanying consolidated statements of operations. Advertising costs approximated $13.5 million, $13.8 million and $11.1 million for the years ended February 2, 2013, January 28, 2012, and January 29, 2011, respectively.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date of such change.

The Company recognizes a financial statement benefit for a tax position if it determines that it is more likely than not that the position will be sustained upon examination.

The Company includes interest and penalties in the provision for income tax expense and income taxes payable. The Company does not provide for any penalties associated with tax contingencies unless they are considered probable of assessment.

Stock-Based Compensation

The Company recognizes all share-based payments to employees, including grants of employee stock options, in the financial statements based on their fair values. Total stock-based compensation expense for 2012, 2011 and 2010 was $34.9 million, $31.0 million and $27.9 million, respectively.

The Company recognizes expense related to the fair value of stock options and restricted stock units (RSUs) over the requisite service period on a straight-line basis or a shorter period based on the retirement eligibility of the grantee. The fair value of stock option grants is estimated on the date of grant using the Black-Scholes option pricing model. The fair value of the RSUs is determined using the closing price of the Company's common stock on the date of grant.

Net Income Per Share

Basic net income per share has been computed by dividing net income by the weighted average number of shares outstanding. Diluted net income per share reflects the potential dilution that could occur assuming the inclusion of dilutive potential shares and has been computed by dividing net income by the weighted average number of shares and dilutive potential shares outstanding. Dilutive potential shares include all outstanding stock options and unvested RSUs after applying the treasury stock method.

Comprehensive Income

In the first quarter of 2012, the Company adopted Accounting Standards Update ("ASU") No. 2011-05, " Comprehensive Income (Topic 220): Presentation of Comprehensive Income." This update requires that the total of comprehensive income, the components of net income, and the components of other comprehensive income be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. This update does not change what items are reported in other comprehensive income or the requirement to report reclassification of items from other comprehensive income to net income.

NOTE 2—BALANCE SHEET COMPONENTS

Property, Plant and Equipment, Net

Property, plant and equipment, net, as of February 2, 2013 and January 28, 2012 consists of the following:

(in millions)	**February 2, 2013**	January 28, 2012
Land	**$ 51.4**	$ 38.2
Buildings	**223.9**	209.8
Leasehold improvements	**876.2**	783.6
Furniture, fixtures and equipment	**1,174.5**	1,075.5
Construction in progress	**107.9**	48.7
Total property, plant and equipment	**2,433.9**	2,155.8
Less: accumulated depreciation	**1,473.2**	1,330.5
Total property, plant and equipment, net	**$ 960.7**	$ 825.3

Depreciation expense was $175.4 million, $164.2 million and $159.7 million for the years ended February 2, 2013, January 28, 2012, and January 29, 2011, respectively.

Other Current Liabilities

Other current liabilities as of February 2, 2013 and January 28, 2012 consist of accrued expenses for the following:

(in millions)	**February 2, 2013**	January 28, 2012
Compensation and benefits	**$ 99.1**	$ 81.2
Taxes (other than income taxes)	**31.8**	33.6
Insurance	**33.0**	31.2
Other	**71.9**	69.5
Total other current liabilities	**$ 235.8**	$ 215.5

Other Long-Term Liabilities

Other long-term liabilities as of February 2, 2013 and January 28, 2012 consist of the following:

(in millions)	**February 2, 2013**	January 28, 2012
Deferred rent	**$ 83.0**	$ 77.9
Insurance	**51.3**	48.9
Other	**11.6**	10.7
Total other long-term liabilities	**$ 145.9**	$ 137.5

NOTE 3—INCOME TAXES

Total income taxes were allocated as follows:

(in millions)	Year Ended February 2, 2013	January 28, 2012	January 29, 2011
Income from continuing operations	**$ 359.6**	$ 291.2	$ 232.6
Accumulated other comprehensive income (loss) marking derivative financial instruments to fair value	**—**	(0.1)	1.3
Stockholders' equity, tax benefit on exercises/vesting of equity-based compensation	**(21.3)**	(13.8)	(7.8)
	$ 338.3	$ 277.3	$ 226.1

The provision for income taxes consists of the following:

(in millions)	Year Ended February 2, 2013	January 28, 2012	January 29, 2011
Federal - current	**324.5**	240.4	215.7
State - current	**42.4**	39.4	31.3
Foreign - current	**0.5**	0.3	—
Total current	**367.4**	280.1	247.0
Federal - deferred	**0.3**	14.9	(10.0)
State - deferred	**(3.5)**	0.1	(4.4)
Foreign - deferred	**(4.6)**	(3.9)	—
Total deferred	**(7.8)**	11.1	(14.4)

Included in current tax expense for the years ended February 2, 2013, January 28, 2012 and January 29, 2011, are amounts related to uncertain tax positions associated with temporary differences.

A reconciliation of the statutory federal income tax rate and the effective rate follows:

	Year Ended February 2, 2013	January 28, 2012	January 29, 2011
Statutory tax rate	**35.0%**	35.0%	35.0%
Effect of:			
State and local income taxes, net of federal income tax benefit	**3.0**	3.4	3.4
Other, net	**(1.3)**	(1.0)	(1.5)
Effective tax rate	**36.7%**	37.4%	36.9%

The rate reduction in "other, net" consists primarily of benefits from the resolution of tax uncertainties, interest on tax reserves, federal jobs credits and tax-exempt interest offset by certain nondeductible expenses.

United States income taxes have not been provided on accumulated but undistributed earnings of its foreign subsidiaries as the company intends to permanently reinvest earnings.

Notes to Consolidated Financial Statements

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are classified on the accompanying consolidated balance sheets based on the classification of the underlying asset or liability. Significant components of the Company's net deferred tax assets (liabilities) follow:

(in millions)	**February 2, 2013**	January 28, 2012
Deferred tax assets:		
Deferred rent	**$ 35.6**	$ 31.5
Accrued expenses	**32.6**	31.4
Net operating losses and credit carryforwards	**14.4**	9.1
Accrued compensation expense	**28.2**	27.0
Other	**0.8**	1.5
Total deferred tax assets	**111.6**	100.5
Valuation allowance	**(4.3)**	(3.5)
Deferred tax assets, net	**107.3**	97.0
Deferred tax liabilities:		
Property and equipment	**(32.8)**	(34.0)
Goodwill	**(15.9)**	(15.1)
Prepaid expenses	**(4.0)**	(0.4)
Inventory	**(3.8)**	(4.5)
Total deferred tax liabilities	**(56.5)**	(54.0)
Net deferred tax asset	**$ 50.8**	$ 43.0

A valuation allowance of $4.3 million, net of federal tax benefits, has been provided principally for certain state credit carryforwards and net operating loss carryforwards. In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred taxes will not be realized. Based upon the availability of carrybacks of future deductible amounts to the past two years' taxable income and the Company's projections for future taxable income over the periods in which the deferred tax assets are deductible, the Company believes it is more likely than not the remaining existing deductible temporary differences will reverse during periods in which carrybacks are available or in which the Company generates net taxable income.

The company is participating in the Internal Revenue Service ("IRS") Compliance Assurance Program ("CAP") for the 2012 fiscal year and has applied to participate for fiscal year 2013. This program accelerates the examination of key transactions with the goal of resolving any issues before the tax return is filed. Our federal tax returns have been examined and all issues have been settled through our fiscal 2011 tax year. In addition, several states completed their examination during fiscal 2012. Fiscal years 2010 and forward are within the statute of limitations for state tax purposes. The statute of limitations is still open prior to 2010 for some states.

The balance for unrecognized tax benefits at February 2, 2013, was $5.6 million. The total amount of unrecognized tax benefits at February 2, 2013, that, if recognized, would affect the effective tax rate was $3.7 million (net of the federal tax benefit). The following is a reconciliation of the Company's total gross unrecognized tax benefits for the year ended February 2, 2013:

	(in millions)
Balance at January 28, 2012	$ 15.5
Additions, based on tax positions related to current year	2.5
Additions for tax positions of prior years	2.1
Reductions for tax positions of prior years	(3.1)
Settlements	(1.9)
Lapses in statutes of limitations	(9.5)
Balance at February 2, 2013	$ 5.6

During fiscal 2012, the Company accrued potential interest of $0.2 million, related to these unrecognized tax benefits. No potential penalties were accrued during 2012 related to the unrecognized tax benefits. As of February 2, 2013, the Company has recorded a liability for potential interest of $0.4 million.

It is possible that state tax reserves will be reduced for audit settlements and statute expirations within the next 12 months. At this point it is not possible to estimate a range associated with the resolution of these audits.

NOTE 4—COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

Future minimum lease payments under noncancelable store and distribution center operating leases are as follows:

	(in millions)
2013	$ 493.8
2014	408.8
2015	376.4
2016	293.3
2017	207.6
Thereafter	369.2
Total minimum lease payments	$ 2,149.1

The above future minimum lease payments include amounts for leases that were signed prior to February 2, 2013 for stores that were not open as of February 2, 2013.

Minimum rental payments for operating leases do not include contingent rentals that may be paid under certain store leases based on a percentage of sales in excess of stipulated amounts. Future minimum lease payments have not been reduced by expected future minimum sublease rentals of $1.2 million under operating leases.

Minimum and Contingent Rentals

Rental expense for store and distribution center operating leases (including payments to related parties) included in the accompanying consolidated statements of operations are as follows:

	Year Ended		
(in millions)	**February 2, 2013**	January 28, 2012	January 29, 2011
Minimum rentals	**$ 455.5**	$ 421.8	$ 381.5
Contingent rentals	**2.0**	1.8	1.4

Notes to Consolidated Financial Statements

Related Parties

The Company leased properties for five of its stores from partnerships owned by related parties. The total rental payments related to these leases were $0.4 million, $0.5 million and $0.5 million for the years ended February 2, 2013, January 28, 2012, and January 29, 2011, respectively. Total future commitments under the four remaining related party leases are $1.5 million.

Technology Assets

The Company has commitments totaling approximately $10.8 million to purchase primarily store technology assets for its stores during 2013.

Telecommunication Contracts

The Company has contracted for telecommunication services with contracts expiring in 2017. The total amount of these commitments is approximately $26.9 million.

Letters of Credit

The Company is a party to two Letter of Credit Reimbursement and Security Agreements providing $110.0 million and $100.0 million, respectively for letters of credit. Letters of credit under both of these agreements are generally issued for the routine purchase of imported merchandise and approximately $147.0 million was committed to these letters of credit at February 2, 2013. As discussed in Note 5, the Company also has $150.0 million of available letters of credit included in the $750.0 million Unsecured Credit Agreement (the Agreement) entered into in 2012. As of February 2, 2013, there were no letters of credit committed under the Agreement.

The Company also has approximately $12.9 million in stand-by letters of credit that serve as collateral for its large-deductible insurance programs and expire in fiscal 2014. The Company's Demand Revenue Bonds are also supported by a $14.5 million letter of credit that is renewable annually.

Surety Bonds

The Company has issued various surety bonds that primarily serve as collateral for utility payments at the Company's stores. The total amount of the commitment is approximately $3.1 million, which is committed through various dates through fiscal 2014.

Contingencies

In 2006, a former store manager filed a collective action against the Company in Alabama federal court. She claims that she and other store managers should have been classified as non-exempt employees under the Fair Labor Standards Act and received overtime compensation. The Court preliminarily allowed nationwide (except California) certification. The Company's motion to decertify the collective action was dismissed without prejudice in 2010. The Company filed another motion to decertify on February 29, 2012. That motion was granted on November 2, 2012. The individual claims of the four named plaintiffs were consolidated and proceeded to trial on February 22, 2013. On March 1, a jury returned four verdicts in favor of the Company. On that day the Court entered Final Judgment in favor of the Company against all four plaintiffs and dismissed the cases with prejudice. The Company anticipates post trial motions will be filed by the plaintiffs asking that the Court set aside the Final Judgment and the jury verdicts. The individual claims of the 261 opt-in plaintiffs were dismissed in the November 2 Order without prejudice. Seventy-five of those opt-in decertified plaintiffs have recently filed individual claims in eight different federal courts throughout the U.S. None of these cases have as yet proceeded beyond the pleadings stage so that discovery has not begun nor have any cases been set for trial.

In April 2011, a former assistant store manager, on behalf of himself and those similarly situated, instituted a class action in a California state court primarily alleging a failure by the Company to provide meal breaks, to compensate for all hours worked, and to pay overtime compensation. The Company removed the case to federal court which denied plaintiffs' motion for remand of the case to state court. Discovery in this case is on going. There is no trial date.

In June 2011, Winn-Dixie Stores, Inc. and various of its affiliates instituted suit in federal court in Florida alleging that the Company, in approximately 48 shopping centers in the state of Florida and five other states where Dollar Tree and Winn-Dixie are both tenants, is selling goods and products in Dollar Tree stores in violation of an exclusive right of Winn-Dixie to sell and distribute such items. It sought both monetary damages and injunctive relief. At approximately the same time, Winn-Dixie also sued Dollar General, Inc. and Big Lots, Inc. making essentially the same allegations against them and seeking the same relief. The Court consolidated the three cases and they proceeded to trial, without a jury, in May of 2012. On August 10, 2012, the Court issued its Findings of Fact and Conclusions of Law. The ruling denied Winn-Dixie's claim for monetary damages, either compensatory or punitive, and, of the original 48 Dollar Tree stores at issue, granted plaintiff's request for injunctive relief with respect to just one store. A final Order incorporating these findings and conclusions was entered and Winn-Dixie has appealed to the U.S. Court of Appeals for the 11th Circuit.

In the summer and fall of 2011, five collective action lawsuits were filed against the Company in federal courts in Georgia, Colorado, Florida, Michigan and Illinois by different assistant store managers, each alleging he or she was forced to work off the clock in violation of the federal Fair Labor Standards Act. Plaintiffs also asserted various state law claims for which they seek class treatment. The Michigan case is currently stayed. The Florida case has been transferred to the U.S. District Court for the Eastern District of Virginia which thereafter entered an Order staying the case. In the Georgia case the state law claims were dismissed and the case then transferred to the U.S. District Court for the Eastern District of Virginia; the Fair Labor Standards Act claims remain with motions to dismiss by the Company pending. In the Colorado case the statewide class claims were dismissed. The Court conditionally certified under the Fair Labor Standards Act a class of all assistant store managers who worked for Dollar Tree from July 16, 2008 to the present. Notice was sent to potential class members and 2,201 elected to opt-in. Discovery is now on-going pursuant to a scheduling Order of the Court and the case has been assigned a May 2014 trial date. The Illinois case in addition to assistant store managers, also included a putative class of all other hourly store associates, and made the same allegations on their behalf. The Illinois case was transferred to the Eastern District of Virginia in June and the Virginia federal judge ruled that all claims made on behalf of assistant store managers under the Fair Labor Standards Act should be dismissed on the basis those claims could be adjudicated in the Colorado case. The assistant store manager class claims based on state law were dismissed. The Court however, did conditionally certify under the Fair Labor Standards Act a class of all hourly sales associates who worked for Dollar Tree from October 2, 2009 to the present. Notice to the putative class was sent and 6,276 associates elected to opt-in, approximately 3% of the potential class. Discovery has recently commenced. No trial date has been established.

In May 2012, three associates who were formerly employed at the Company's distribution center in Joliet, Illinois filed a Rule 23 class action lawsuit in federal court in Illinois alleging that at the time of their termination of employment, they failed to receive compensation for their accrued paid time off. They brought this case on behalf of themselves and those former associates similarly situated. At the request of the parties, the case was stayed and referred to a U.S. Magistrate Judge for a settlement conference. A settlement was reached and preliminarily approved by the Court. Notice of the proposed settlement was issued to the individual potential class members with 113 of them returning completed claims forms. The Court conducted a fairness hearing on February 27 and approved the settlement. The settlement process will now be effectuated. The settlement amount is immaterial and has been included in the accompanying consolidated financial statements.

In July 2012, a former non-exempt hourly associate who alleges his primary duty was to work a cash register, on behalf of himself and those similarly situated, filed a Complaint under the California Private Attorneys General Act ("PAGA"), in a California state court, alleging the Company failed to provide suitable seating at its cash registers as allegedly required by state law. The Company removed the case to federal court and filed its Answer to the Complaint. Discovery is presently under way and the case has been scheduled for trial in July 2013.

In July 2012, a former assistant store manager, on behalf of himself and those similarly situated, filed a class action Complaint in a California state court, alleging the Company failed to provide paid, duty-free 10 minute rest breaks to assistant store managers who worked for periods in excess of three and one-half hours. The alleged relevant time period is July 13, 2008 to the present. Dollar Tree removed the case to federal court and plaintiff has filed a motion seeking remand to state court. Initial discovery has commenced.

In February 2013, a former assistant store manager on behalf of himself and those similarly situated filed in a California federal court a representative action claim under PAGA. He alleges the Company failed to provide meal and rest periods, failed to pay minimum, regular and overtime wages, failed to maintain accurate time records and wage statements, and failed to pay wages due upon termination of employment. The Company has just begun its investigation of the allegations contained in the Complaint.

The Company will vigorously defend itself in these matters. The Company does not believe that any of these matters will, individually or in the aggregate, have a material effect on its business or financial condition. The Company cannot give assurance, however, that one or more of these lawsuits will not have a material effect on its results of operations for the period in which they are resolved. Based on the information available to the Company, including the amount of time remaining before trial, the results of discovery and the judgment of internal and external counsel, the Company is unable to express an opinion as to the outcome of these matters which are not settled and cannot estimate a potential range of loss.

NOTE 5—LONG-TERM DEBT

Long-term debt at February 2, 2013 and January 28, 2012 consists of the following:

(in millions)	**February 2, 2013**	January 28, 2012
$750.0 million Unsecured Credit Agreement, interest payable monthly at LIBOR, plus 0.90%, which was 1.11% at February 2, 2013, principal payable upon expiration of the facility in February 2017	**$ 250.0**	$ 250.0
Demand Revenue Bonds, interest payable monthly at a variable rate which was 0.23% at February 2, 2013, principal payable on demand, maturing June 2018	**14.3**	15.5
$7.0 million forgivable promissory note, interest payable beginning in November 2017 at a rate of 1%, principal payable beginning November 2017	**7.0**	—
Total long-term debt	**$ 271.3**	$ 265.5
Less current portion	**14.3**	15.5
Long-term debt, excluding current portion	**$ 257.0**	$ 250.0

Maturities of long-term debt are as follows: 2013 – $14.3 million, 2017 – $0.2 million and after 2017 – $256.8 million

Unsecured Credit Agreement

In 2012, the Company entered into the Agreement which provides for a $750.0 million revolving line of credit, including up to $150.0 million in available letters of credit. The interest rate on the facility is based, at the Company's option, on a LIBOR rate, plus a margin, or an alternate base rate, plus a margin. The revolving line of credit also bears a facilities fee, calculated as a percentage, as defined, of the amount available under the line of credit, payable quarterly. The Agreement, among other things, requires the maintenance of certain specified financial ratios, restricts the payment of certain distributions and prohibits the incurrence of certain new indebtedness. The Company's February 2008, $500.0 million Credit Agreement was terminated concurrent with entering into this Agreement. As of February 2, 2013, the Company had $250.0 million outstanding under the $750.0 million revolving line of credit.

Demand Revenue Bonds

In 1998, the Company entered into an unsecured Loan Agreement with the Mississippi Business Finance Corporation (MBFC) under which the MBFC issued Taxable Variable Rate Demand Revenue Bonds (the Bonds) in an aggregate principal amount of $19.0 million to finance the acquisition, construction, and installation of land, buildings, machinery and equipment for the Company's distribution facility in Olive Branch, Mississippi. The Bonds do not contain a prepayment penalty as long as the interest rate remains variable. The Bonds contain a demand provision and, therefore, are classified as current liabilities.

Forgivable Promissory Note

In 2012, the Company entered into a promissory note with the state of Connecticut under which the state loaned the Company $7.0 million in connection with the Company's acquisition, construction and installation of land, building, machinery and equipment for the Company's distribution facility in Windsor, Connecticut. If certain performance targets are met, the loan and any accrued interest will be forgiven in fiscal 2017. If the performance targets are not met, the loan and accrued interest must be repaid beginning in fiscal 2017.

NOTE 6—DERIVATIVE FINANCIAL INSTRUMENTS

Hedging Derivatives

In order to manage fluctuations in cash flows resulting from changes in diesel fuel costs, the Company entered into fuel derivative contracts with third parties. The Company hedged 4.8 million, 3.5 million and 5.0 million gallons of diesel fuel in 2012, 2011 and 2010, respectively. These hedges represented approximately 35%, 31% and 39% of the total domestic truckload fuel needs in 2012, 2011 and 2010, respectively. The Company currently has fuel derivative contracts to hedge 0.7 million gallons of diesel fuel, or approximately 20% of the Company's domestic truckload fuel needs from February 2013 through April 2013. Under these contracts, the Company pays the third party a fixed price for diesel fuel and receives variable diesel fuel prices at amounts approximating current diesel fuel costs, thereby creating the economic equivalent of a fixed-rate obligation. These derivative contracts do not qualify for hedge accounting and therefore all changes in fair value for these derivatives are included under "other income, net" on the accompanying consolidated statements of operations. The fair value of these contracts at February 2, 2013 was an asset of $0.5 million.

In 2008, the Company entered into two $75.0 million interest rate swap agreements. These interest rate swaps were used to manage the risk associated with interest rate fluctuations on a portion of the Company's variable rate debt. Under these agreements, the Company paid interest to financial institutions at a fixed rate of 2.8%. In exchange, the financial institutions paid the Company at a variable rate, which equals the variable rate on the debt, excluding the credit spread. These swaps qualified for hedge accounting treatment and expired in March 2011.

NOTE 7—SHAREHOLDERS' EQUITY

Preferred Stock

The Company is authorized to issue 10,000,000 shares of Preferred Stock, $0.01 par value per share. No preferred shares are issued and outstanding at February 2, 2013 and January 28, 2012.

Net Income Per Share

The following table sets forth the calculation of basic and diluted net income per share:

	Year Ended		
(in millions, except per share data)	**February 2, 2013**	January 28, 2012	January 29, 2011
Basic net income per share:			
Net income	**$ 619.3**	$ 488.3	$ 397.3
Weighted average number of shares outstanding	**229.3**	240.6	254.1
Basic net income per share	**$ 2.70**	$ 2.03	$ 1.56
Diluted net income per share:			
Net income	**$ 619.3**	$ 488.3	$ 397.3
Weighted average number of shares outstanding	**229.3**	240.6	254.1
Dilutive effect of stock options and restricted stock (as determined by applying the treasury stock method)	**1.4**	1.8	1.9
Weighted average number of shares and dilutive potential shares outstanding	**230.7**	242.4	256.0
Diluted net income per share	**$ 2.68**	$ 2.01	$ 1.55

At February 2, 2013, January 28, 2012 and January 29, 2011, substantially all of the stock options outstanding were included in the calculation of the weighted average number of shares and dilutive potential shares outstanding.

Share Repurchase Programs

The Company repurchases shares on the open market and under Accelerated Share Repurchase agreements.

On the open market, the Company repurchased 7.7 million shares for $340.2 million in fiscal 2012. The Company repurchased 5.3 million shares for $145.9 million in fiscal 2011. The Company repurchased 8.7 million shares for $214.7 million in fiscal 2010. At February 2, 2013, the Company had $859.8 million remaining under Board authorization.

On November 21, 2011, the Company entered into an agreement to repurchase $300.0 million of the Company's common shares under a "collared" Accelerated Share Repurchase Agreement (ASR). Under this agreement, the Company initially received 6.8 million shares through December 13, 2011, representing the minimum number of shares to be received based on a calculation using the "cap" or high-end of the price range of the "collar." The ASR concluded on March 28, 2012 and the Company received an additional 0.5 million shares under the "collared" agreement resulting in 7.3 million total shares being repurchased under this ASR. The number of shares is determined based on the weighted average market price of the Company's common stock, less a discount, during a specified period of time.

On August 24, 2011, the Company entered into an agreement to repurchase $200.0 million of the Company's common shares under a "collared" ASR. Under this agreement, the Company initially received 5.1 million shares through September 2, 2011, representing the minimum number of shares to be received based on a calculation using the "cap" or high-end of the price range of the "collar." The ASR concluded on November 15, 2011 and the Company received an additional 0.3

million shares under the "collared" agreement resulting in 5.4 million total shares being repurchased under this ASR. The number of shares is determined based on the weighted average market price of the Company's common stock, less a discount, during a specified period of time.

On March 19, 2010, the Company entered into an agreement to repurchase $200.0 million of the Company's common shares under a "collared" ASR. Under this agreement, the Company initially received 9.2 million shares through March 31, 2010, representing the minimum number of shares to be received based on a calculation using the "cap" or high-end of the price range of the collar. The ASR concluded on August 6, 2010 and the Company received an additional 0.8 million shares under the "collared" agreement resulting in 10.0 million total shares being repurchased under this ASR. The number of shares is determined based on the weighted average market price of the Company's common stock, less a discount, during a specified period of time.

NOTE 8—EMPLOYEE BENEFIT PLANS

Profit Sharing and 401(k) Retirement Plan

The Company maintains a defined contribution profit sharing and 401(k) plan which is available to all employees over 21 years of age who have completed one year of service in which they have worked at least 1,000 hours. Eligible employees may make elective salary deferrals. The Company may make contributions at its discretion.

Contributions to and reimbursements by the Company of expenses of the plan included in the accompanying consolidated statements of operations were as follows:

Year Ended February 2, 2013	**$40.7 million**
Year Ended January 28, 2012	37.9 million
Year Ended January 29, 2011	35.1 million

Eligible employees hired prior to January 1, 2007 are immediately vested in the Company's profit sharing contributions. Eligible employees hired on or subsequent to January 1, 2007 vest in the Company's profit sharing contributions based on the following schedule:

- 20% after two years of service
- 40% after three years of service
- 60% after four years of service
- 100% after five years of service

All eligible employees are immediately vested in any Company match contributions under the 401(k) portion of the plan.

Deferred Compensation Plan

The Company has a deferred compensation plan which provides certain officers and executives the ability to defer a portion of their base compensation and bonuses and invest their deferred amounts. The plan is a nonqualified plan and the Company may make discretionary contributions. The deferred amounts and earnings thereon are payable to participants, or designated beneficiaries, at specified future dates, or upon retirement or death. Total cumulative participant deferrals were approximately $4.2 million and $3.3 million, respectively, at February 2, 2013 and January 28, 2012, and are included in "other liabilities" on the accompanying consolidated balance sheets. The related assets are included in "other assets, net" on the accompanying consolidated balance sheets. The Company did not make any discretionary contributions in the years ended February 2, 2013, January 28, 2012, or January 29, 2011.

NOTE 9—STOCK-BASED COMPENSATION PLANS

At February 2, 2013, the Company has eight stock-based compensation plans. Each plan and the accounting method are described below.

Fixed Stock Option Compensation Plans

Under the 1995 Stock Incentive Plan (SIP), the Company granted options to its employees for the purchase of up to 37.8 million shares of Common Stock. The exercise price of each option equaled the market price of the Company's stock at the date of grant, unless a higher price was established by the Board of Directors, and an option's maximum term is 10 years. Options granted under the SIP generally vested over a three-year period. This plan was terminated on July 1, 2003 and replaced with the Company's 2003 Equity Incentive Plan (EIP).

Under the EIP, the Company granted up to 18.0 million shares of its Common Stock, plus any shares available for future awards under the SIP, to the Company's employees, including executive officers and independent contractors. The EIP permitted the Company to grant equity awards in the form of stock options, stock appreciation rights and restricted stock. The exercise price of each stock option granted equaled the market price of the Company's stock at the date of grant. The options generally vest over a three -year period and have a maximum term of 10 years. This plan was terminated on June 16, 2011 and replaced with the Company's Omnibus Incentive Plan (Omnibus Plan).

The Executive Officer Equity Incentive Plan (EOEP) was available only to the Chief Executive Officer and certain other executive officers. These officers no longer received awards under the EIP. The EOEP allowed the Company to grant the same type of equity awards as the EIP. These awards generally vest over a three-year period, with a maximum term of 10 years. This plan was terminated on June 16, 2011 and replaced with the Company's Omnibus Incentive Plan (Omnibus Plan).

Stock appreciation rights may be awarded alone or in tandem with stock options. When the stock appreciation rights are exercisable, the holder may surrender all or a portion of the unexercised stock appreciation right and receive in exchange an amount equal to the excess of the fair market value at the date of exercise over the fair market value at the date of the grant. No stock appreciation rights have been granted to date.

Any restricted stock or RSUs awarded are subject to certain general restrictions. The restricted stock shares or units may not be sold, transferred, pledged or disposed of until the restrictions on the shares or units have lapsed or have been removed under the provisions of the plan. In addition, if a holder of restricted shares or units ceases to be employed by the Company, any shares or units in which the restrictions have not lapsed will be forfeited.

The 2003 Non-Employee Director Stock Option Plan (NEDP) provided non-qualified stock options to non-employee members of the Company's Board of Directors. The stock options were functionally equivalent to such options issued under the EIP discussed above. The exercise price of each stock option granted equaled the closing market price of the Company's stock on the date of grant. The options generally vested immediately. This plan was terminated on June 16, 2011 and replaced with the Company's Omnibus Incentive Plan (Omnibus Plan).

The 2003 Director Deferred Compensation Plan permits any of the Company's directors who receive a retainer or other fees for Board or Board committee service to defer all or a portion of such fees until a future date, at which time they may be paid in cash or shares of the Company's common stock, or receive all or a portion of such fees in non-statutory stock options. Deferred fees that are paid out in cash will earn interest at the 30-year Treasury Bond Rate. If a director elects to be paid in common stock, the number of shares will be determined by dividing the deferred fee amount by the closing market price of a share of the Company's common stock on the date of deferral. The number of options issued to a director will equal the deferred fee amount divided by 33% of the price of a share of the Company's common stock. The exercise price will equal the fair market value of the Company's common stock at the date the option is issued. The options are fully vested when issued and have a term of 10 years.

Under the Omnibus Plan, the Company may grant up to 4.0 million shares of its Common Stock, plus any shares available for future awards under the EIP, EOEP, or NEDP plans, to the Company's employees, including executive officers and independent contractors. The Omnibus Plan permits the Company to grant equity awards in the form of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance bonuses, performance units, non-employee director stock options and other equity-related awards. These awards generally vest over a three-year period with a maximum term of 10 years.

Restricted Stock

The Company granted 0.5 million, 0.7 million and 1.1 million service-based RSUs, net of forfeitures in 2012, 2011 and 2010, respectively, from the Omnibus Plan, EIP and the EOEP to the Company's employees and officers. The fair value of all of these RSUs is being expensed ratably over the three-year vesting periods, or a shorter period based on the retirement eligibility of the grantee. The fair value was determined using the Company's closing stock price on the date of grant. The Company recognized $21.9 million, $19.2 million and $17.3 million of expense related to these RSUs during 2012, 2011 and 2010, respectively. As of February 2, 2013, there was approximately $21.8 million of total unrecognized compensation expense related to these RSUs which is expected to be recognized over a weighted-average period of 21 months.

In 2012, the Company granted 0.2 million RSUs from the Omnibus Plan to certain officers of the Company, contingent on the Company meeting certain performance targets in 2012 and future service of these officers through March 2015. The Company met these performance targets in fiscal 2012; therefore, the fair value of these RSUs of $8.1 million is being expensed over the service period or a shorter period based on the retirement eligibility of the grantee. The Company recognized $5.7 million of expense related to these RSUs in 2012. The fair value of these RSUs was determined using the Company's closing stock price on the grant date.

In 2011, the Company granted 0.3 million RSUs from the EIP and the EOEP to certain officers of the Company, contingent on the Company meeting certain performance targets in 2011 and future service of these officers through March 2014. The Company met these performance targets in fiscal 2011; therefore, the fair value of these RSUs of $7.3 million is being expensed over the service period or a shorter period based on the retirement eligibility of the grantee. The Company recognized $0.9 million and $5.4 million of expense related to these RSUs in 2012 and 2011, respectively. The fair value of these RSUs was determined using the Company's closing stock price on the grant date.

In 2010, the Company granted 0.4 million RSUs from the EIP and the EOEP to certain officers of the Company, contingent on the Company meeting certain performance targets in 2010 and future service of these officers through March 2013. The Company met these performance targets in fiscal 2010; therefore, the fair value of these RSUs of $7.8 million is being expensed over the service period or a shorter period based on the retirement eligibility of the grantee. The Company recognized $1.0 million, $1.8 million and $4.8 million of expense related to these RSUs in 2012, 2011 and 2010, respectively. The fair value of these RSUs was determined using the Company's closing stock price on the grant date.

In 2012, the Company granted RSUs with an estimated value of $1.7 million from the Omnibus Plan to certain officers of the Company. Each officer has the opportunity to earn an amount between zero percent (0%) and two hundred percent (200%) of the individual target award contingent on the Company meeting certain performance targets for the period beginning on January 29, 2012 and ending on January 31, 2015. Providing the vesting conditions are satisfied, the awards will vest at the end of the performance period. The estimated value is being expensed over the performance period or a shorter period based on the retirement eligibility of the grantee. The Company recognized $1.0 million of expense related to these RSUs in 2012. The estimated value of these RSUs was determined using the Company's closing stock price on the grant date.

In 2011, the Company granted RSUs with an estimated value of $0.7 million from the Omnibus Plan to certain officers of the Company. Each officer has the opportunity to earn an amount between zero percent (0%) and two hundred percent (200%) of the individual target award contingent on the Company meeting certain performance targets for the period beginning on January 30, 2011 and ending on February 1, 2014. Providing the vesting conditions are satisfied, the awards will vest at the end of the performance period. The estimated value is being expensed over the performance period or a shorter period based on the retirement eligibility of the grantee. The Company recognized $0.2 million and $0.4 million of expense related on these RSUs in 2012 and 2011, respectively. The estimated value of these RSUs was determined using the Company's closing stock price on the grant date.

In 2012, the Company granted 0.2 million RSUs with a fair value of $10.0 million from the Omnibus Plan to the Chief Executive Officer of the Company, contingent on the Company meeting certain performance targets for the period beginning July 29, 2012 and ending on August 3, 2013 and the grantee completing a five-year service requirement. The fair value of these RSUs is being expensed ratably over the five-year vesting period. The Company recognized $1.3 million of expense related to these RSUs in 2012. The fair value of these RSUs was determined using the Company's closing stock price on the grant date.

The following table summarizes the status of RSUs as of February 2, 2013, and changes during the year then ended:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 28, 2012	2,511,450	$ 22.49
Granted	933,346	48.43
Vested	(1,315,755)	20.24
Forfeited	(74,868)	31.41
Nonvested at February 2, 2013	2,054,173	$ 35.37

In connection with the vesting of RSUs in 2012, 2011 and 2010, certain employees elected to receive shares net of minimum statutory tax withholding amounts which totaled $22.1 million, $13.2 million and $11.1 million, respectively. The total fair value of the restricted shares vested during the years ended February 2, 2013, January 28, 2012 and January 29, 2011 was $26.6 million, $20.9 million and $19.1 million, respectively.

Stock Options

In 2012, 2011 and 2010, the Company granted less than 0.1 million service based stock options from the Omnibus Plan, EIP, EOP and the NEDP, respectively. All options granted to directors vest immediately and are expensed on the grant date. During 2012, 2011 and 2010, the Company recognized $1.2 million, $1.1 million and $2.3 million, respectively of expense related to service-based stock option grants.

The following tables summarize the Company's various option plans and information about options outstanding at February 2, 2013 and changes during the year then ended.

Stock Option Activity

	February 2, 2013			
	Shares	Weighted Average Per Share Exercise Price	Weighted Average Remaining Term	Aggregate Intrinsic Value *(in millions)*
Outstanding, beginning of period	1,311,106	$ 10.15		
Granted	11,284	47.00		
Exercised	(574,585)	9.02		
Forfeited	(29,550)	9.29		
Outstanding, end of period	718,255	$ 11.66	3.8	$ 20.4
Options vested and expected to vest at February 2, 2013	718,255	$ 11.66	3.8	$ 20.4
Options exercisable at end of period	718,255	$ 11.66	3.8	$ 20.4

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Options Outstanding at February 2, 2013	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable at February 2, 2013	Weighted Average Exercise Price
$5.38 to $7.09	77,357	0.1	$ 6.67	77,357	$ 6.67
$7.10 to $9.93	327,900	3.3	8.90	327,900	8.90
$9.94 to $14.52	254,462	4.5	12.63	254,462	12.63
$14.53 to $16.12	11,050	6.8	16.11	11,050	16.11
$16.13 to $28.04	20,924	7.5	23.26	20,924	23.26
$28.05 to $53.99	26,562	9.0	39.93	26,562	39.93
$5.38 to $53.99	718,255	3.8	$ 11.66	718,255	$ 11.66

The intrinsic value of options exercised during 2012, 2011 and 2010 was approximately $21.8 million, $16.4 million and $16.0 million, respectively.

Employee Stock Purchase Plan

Under the Dollar Tree, Inc. Employee Stock Purchase Plan (ESPP), the Company is authorized to issue up to 5,278,125 shares of Common Stock to eligible employees. Under the terms of the ESPP, employees can choose to have up to 10% of their annual base earnings withheld to purchase the Company's common stock. The purchase price of the stock is 85% of the lower of the price at the beginning or the end of the quarterly offering period. Under the ESPP, the Company has sold 4,656,492 shares as of February 2, 2013.

The fair value of the employees' purchase rights is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Expected term	**3 months**	3 months	3 months
Expected volatility	**11.9%**	12.6%	13.2%
Annual dividend yield	—	—	—
Risk free interest rate	**0.1%**	0.1%	0.1%

The weighted average per share fair value of purchase rights granted in 2012, 2011 and 2010 was $6.97, $5.22 and $3.30, respectively. Total expense recognized for these purchase rights was $0.9 million in each of 2012, 2011 and 2010.

NOTE 10 – ACQUISITION

On November 15, 2010, the Company completed its acquisition of 86 Dollar Giant stores, located in the Canadian provinces of British Columbia, Ontario, Alberta and Saskatchewan. These stores offer a wide assortment of quality general merchandise, contemporary seasonal goods and everyday consumables, all priced at $1.25 (CAD) or less. This is the Company's first expansion of its retail operations outside of the United States and provides the Company with a proven management team and distribution network as well as additional potential store growth in a new market.

The Company paid approximately $51.3 million including the assumption of certain liabilities. The results of Dollar Giant store operations are included in the

Company's financial statements since the aquisition date and did not have a significant impact on the Company's operating results in 2012, 2011 or 2010. This acquisition is immaterial to the Company's operations as a whole and therefore no proforma disclosure of financial information has been presented. The following table summarizes the final allocation of the purchase price to the fair value of the assets acquired and liabilities assumed based on the exchange rate in effect at the date of purchase.

(in millions)

Cash	$ 1.9
Inventory	22.8
Other current assets	3.4
Property and equipment	10.1
Goodwill	39.9
Other intangibles	3.9
Debt	(13.8)
Accounts payable and accrued liabilities	(16.9)
	$ 51.3

Goodwill related to this acquisition is presented in the consolidated balance sheet at the exchange rates in effect at February 2, 2013 and January 28, 2012, respectively; however, the opening balance sheet and resulting goodwill and acquired intangible assets were recorded based on the exchange rate in effect at the acquisition date.

NOTE 11 – SALE OF INVESTMENT

On September 28, 2012, the Company sold its ownership interest in Ollie's Holdings, Inc., which it originally acquired in 2003. As a result of the sale, the Company recorded a pre-tax gain of $60.8 million in 2012 which is included in "Other income, net" on the accompanying Consolidated Statements of Operations. The gain, net of tax, was $38.1 million and increased earnings per diluted share for 2012 by $0.16.

NOTE 12—QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table sets forth certain items from the Company's unaudited consolidated statements of operations for each quarter of fiscal year 2012 and 2011. The unaudited information has been prepared on the same basis as the audited consolidated financial statements appearing elsewhere in this report and includes all adjustments, consisting only of normal recurring adjustments, which management considers necessary for a fair presentation of the financial data shown. The operating results for any quarter are not necessarily indicative of results for a full year or for any future period.

	First Quarter(1)	Second Quarter	Third Quarter	Fourth Quarter(2)
Fiscal 2012:				
Net sales	**$ 1,723.6**	**$ 1,704.6**	**$ 1,720.5**	**$ 2,245.8**
Gross profit	**$ 602.7**	**$ 599.6**	**$ 599.6**	**$ 850.7**
Operating income	**$ 188.0**	**$ 184.4**	**$ 184.2**	**$ 363.5**
Net income	**$ 116.1**	**$ 119.2**	**$ 155.4**	**$ 228.6**
Diluted net income per share	**$ 0.50**	**$ 0.51**	**$ 0.68**	**$ 1.01**
Stores open at end of quarter	**4,451**	**4,523**	**4,630**	**4,671**
Comparable store net sales change	**5.6%**	**4.5%**	**1.6%**	**2.4%**
Fiscal 2011:				
Net sales	$ 1,545.9	$ 1,542.4	$ 1,596.6	$ 1,945.6
Gross profit	$ 540.8	$ 542.4	$ 560.6	$ 734.5
Operating income	$ 161.7	$ 153.5	$ 164.9	$ 302.0
Net income	$ 101.0	$ 94.9	$ 104.5	$ 187.9
Diluted net income per share	$ 0.41	$ 0.39	$ 0.43	$ 0.80
Stores open at end of quarter	4,177	4,242	4,335	4,351
Comparable store net sales change	7.1%	4.7%	4.8%	7.3%

(1) Easter was observed on April 8, 2012 and April 24, 2011

(2) Fiscal 2012 contains 14 weeks ended February 2, 2013 while Fiscal 2011 contains 13 weeks ended January 28, 2012

Board of Directors

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Stephen W. White,
Chief Logistics Officer

Transfer Agent

Computershare
P.O. Box 43078
Providence, RI 02940
(800) 622-6757

Legal Counsel

Williams Mullen
999 Waterside Drive
Suite 1700
Norfolk, VA 23510

Independent Registered Public Accounting Firm

KPMG LLP
440 Monticello Avenue
Suite 1900
Norfolk, VA 23510

Stock Listing

Dollar Tree's common stock is traded on the NASDAQ Global Select Market. The Company's common stock has been traded on NASDAQ under the symbol "DLTR" since our initial public offering on March 6, 1995.

The following table gives the high and low sales prices of our common stock for the fiscal years 2012 and 2011, restated to reflect a 2-for-1 stock split effected as a stock dividend in June 2012.

Stock Price

	HIGH	LOW
2012		
First Quarter	**$51.21**	**$42.04**
Second Quarter	**56.82**	**46.35**
Third Quarter	**53.00**	**38.40**
Fourth Quarter	**42.66**	**37.12**
2011		
First Quarter	$29.25	$24.26
Second Quarter	35.27	28.82
Third Quarter	41.25	30.00
Fourth Quarter	43.32	36.04

Annual Meeting

You are cordially invited to attend our Annual Meeting of Shareholders, which will be held at 10:00 a.m. on Thursday, June 20, 2013, at The Founders Inn, 5641 Indian River Road, Virginia Beach, VA 23464.

Fiscal 2013 Earnings Release Calendar*

First quarter, May 23
Second quarter, August 22
Third quarter, November 21
Fourth quarter, February 26, 2014
**Dates are subject to change.*

Investors' Inquiries

Requests for interim and annual reports, Forms 10-K, or more information should be directed to:

Investor Relations
Dollar Tree, Inc.
500 Volvo Parkway
Chesapeake, VA 23320
(757) 321-5000

Or from the Investor Relations section of our Company web site: www.DollarTreeinfo.com.

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