UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

(X) Quarterly report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the quarterly period ended November 1, 2003

OR

( ) Transition report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

Commission File Number: 0-25464

DOLLAR TREE STORES, INC.
(Exact name of registrant as specified in its charter)

Virginia	**54-1387365**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

500 Volvo Parkway
Chesapeake, Virginia 23320
(Address of principal executive offices)

Telephone Number (757)321-5000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes (X) **No ( )**

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes (X) **No ( )**

As of December 8, 2003, there were 115,239,531 shares of the Registrant's Common Stock outstanding.

DOLLAR TREE STORES, INC.
AND SUBSIDIARIES

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PART I-FINANCIAL INFORMATION

DOLLAR TREE STORES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	November 1, 2003	February 1, 2003	December 31, 2002
ASSETS			
Current assets:			
Cash and cash equivalents	$ 67,138	$ 237,302	$ 292,192
Short-term investments	--	63,525	43,780
Merchandise inventories	663,687	438,439	357,665
Deferred tax asset	11,646	14,333	10,409
Prepaid expenses and other current assets	14,613	15,783	12,094
Total current assets	757,084	769,382	716,140
Property and equipment, net (Note 5)	592,606	477,947	344,322
Intangible assets, net (Note 2)	123,168	41,351	41,418
Other assets, net (Note 3)	20,467	15,559	14,497
TOTAL ASSETS	$1,493,325	$1,304,239	$1,116,377
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Revolving credit facility (Note 8)	$ 39,700	$ --	$ --
Current portion of long-term debt	25,000	25,000	25,000
Current installments of obligations under capital leases	5,237	5,811	5,782

Accounts payable	167,446	137,668	59,451
Other current liabilities	83,378	75,033	88,237
Income taxes payable	3,616	23,548	28,041
Total current liabilities	324,377	267,060	206,511
Long-term debt, excluding current portion (Note 5)	142,422	146,628	6,000
Obligations under capital leases, excluding current installments	14,533	17,283	17,647
Deferred tax liability	26,487	11,685	9,899
Other liabilities	15,981	15,764	20,916
Total liabilities	523,800	458,420	260,973
Shareholders' equity:			
Common stock, par value $0.01. 300,000,000 shares authorized, 115,218,804; 114,231,314; and 114,186,569 shares issued and outstanding at November 1, 2003, February 1, 2003, and December 31, 2002, respectively	1,152	1,142	1,142
Additional paid-in capital	243,761	218,106	217,267
Accumulated other comprehensive loss (Note 7)	(1,029)	(1,277)	(1,373)
Unearned compensation	(75)	(112)	(117)
Retained earnings	725,716	627,960	638,485
Total shareholders' equity	969,525	845,819	855,404
Commitments	--	--	--
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,493,325	$1,304,239	$1,116,377

See accompanying Notes to Condensed Consolidated Financial Statements.

DOLLAR TREE STORES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED INCOME STATEMENTS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	November 1, 2003	**October 31, 2002**	**November 1, 2003**	**October 31, 2002**
Net sales	$ 665,211	$ 556,864	$1,906,807	$1,578,976
Cost of sales	421,612	351,681	1,224,313	1,006,161
Gross profit	243,599	205,183	682,494	572,815
Selling, general and administrative expenses	183,234	153,906	520,038	434,582
Operating income	60,365	51,277	162,456	138,233
Other income (expense):				
Interest income	574	660	2,098	2,516
Interest expense	(2,129)	(1,068)	(6,340)	(3,357)
Change in fair value of non-hedging interest rate swaps	(11)	(635)	737	(1,454)
Total other expense, net	(1,566)	(1,043)	(3,505)	(2,295)

Income before income taxes	58,799	50,234	158,951	135,938
Provision for income taxes	22,638	19,340	61,196	52,336
Net income (Notes 5, 6 and 7)	$ 36,161	$ 30,894	$ 97,755	$ 83,602
Net income per share (Notes 4, 5 and 6)				
Basic	$ 0.31	$ 0.27	$ 0.85	$ 0.74
Diluted	$ 0.31	$ 0.27	$ 0.85	$ 0.73

See accompanying Notes to Condensed Consolidated Financial Statements.

DOLLAR TREE STORES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended	
	November 1, 2003	**October 31, 2002**
Cash flows from operating activities:		
Net income	$ 97,755	$ 83,602
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	74,093	53,168
Loss on disposal of property and equipment	2,944	1,661
Change in fair value of non-hedging interest rate swaps	(737)	1,454
Provision (benefit) for deferred income taxes	17,933	(3,164)
Tax benefit of stock option exercises	5,057	9,627
Other non-cash adjustments to net income	396	291
Changes in assets and liabilities increasing (decreasing) cash and cash equivalents:		
Merchandise inventories	(199,210)	(182,630)
Prepaid expenses and other current assets	1,485	10,216
Other assets	(1,106)	(927)
Accounts payable and other current liabilities	24,749	14,747
Income taxes payable	(16,509)	(19,939)
Other liabilities	(1,142)	2,778
Net cash provided by (used in) operating activities	5,708	(29,116)
Cash flows from investing activities:		
Capital expenditures	(178,578)	(107,871)
Purchase of Greenbacks, Inc., net of cash acquired of $1,248	(99,560)	--
Purchase of short-term investments	(30,360)	(16,500)
Investment in Ollie's, Inc	(4,000)	--
Proceeds from sales of short-term investments	93,885	15,000
Acquisition of favorable lease rights	(105)	(813)
Proceeds from sale of property and equipment	32	--
Settlement of merger-related contingencies	1,021	75
Net cash used in investing activities	(217,665)	(110,109)
Cash flows from financing activities:		
Proceeds from revolving credit facilities	39,700	--
Repayment of long-term debt and facility fees	(11,813)	(6,025)
Principal payments under capital lease obligations	(5,681)	(2,870)
Proceeds from stock issued pursuant to stock-based compensation plans	19,587	29,073

Net cash provided by financing activities	41,793	20,178
Net decrease in cash and cash equivalents	(170,164)	(119,047)
Cash and cash equivalents at beginning of period	237,302	218,077
Cash and cash equivalents at end of period	$ 67,138	$ 99,030
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$ 5,598	$ 3,063
Income taxes	57,432	65,967

See accompanying Notes to Condensed Consolidated Financial Statements.

DOLLAR TREE STORES, INC.
AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The condensed consolidated financial statements at November 1, 2003 and for the three- and nine-month periods ended November 1, 2003 and October 31, 2002 are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position at November 1, 2003 and operating results for the interim periods. The February 1, 2003 and December 31, 2002 balance sheet information was derived from the audited consolidated financial statements as of those dates.

The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto, together with management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2002 contained in the Company's Annual Report on Form 10-K filed March 28, 2003. The results of operations for the three- and nine-month periods ended November 1, 2003 are not necessarily indicative of the results to be expected for the entire fiscal year ending January 31, 2004.

Certain 2002 amounts have been reclassified for comparability with the 2003 financial statement presentation.

2. ACQUISITION

On June 29, 2003, the Company acquired 100% of the outstanding capital stock of Greenbacks, Inc. (Greenbacks). The results of Greenbacks' operations are included in the condensed consolidated financial statements since that date. Greenbacks was a privately-held company operating 100 stores in 10 western states and one expandable 252,000 square foot distribution center in Salt Lake City. As a result of this acquisition, the Company has extended its geographical reach to include 47 states compared with 41 states prior to the acquisition. In addition, this acquisition has provided the Company with an expandable distribution infrastructure in the Rocky Mountain area of the country. The aggregate purchase price was approximately $100 million and was paid in cash. In addition, the Company incurred approximately $0.8 million in direct costs associated with the acquisition.

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition.

	(In thousands)
Current assets	$ 28,192
Property and equipment	7,856
Intangible assets	3,031
Goodwill	80,050
Other assets	33
Total assets acquired	119,162
Current liabilities	11,033
Long-term debt	4,838
Other liabilities	2,481

Total liabilities assumed	18,352
Net assets acquired	$ 100,810

In accordance with SFAS No. 142, goodwill will not be amortized, but rather tested annually for impairment.

Included in the intangible assets acquired were non-compete agreements of $2.0 million and favorable lease rights for operating leases for retail locations of $1.0 million. The non-compete agreements are with former key executives of Greenbacks.

They are being amortized over five years, the weighted average term of the agreements. The favorable lease rights are being amortized on a straight-line basis to rent expense over the remaining initial lease terms, which expire at various dates through 2012.

3. INVESTMENT

On August 7, 2003, the Company paid $4.0 million to acquire a 10.5% fully diluted interest in Ollie's Holdings, Inc. (Ollie's), a multi-price point discount retailer located in the mid-Atlantic region. In addition, the SKM Equity Fund III, L.P. (SKM Equity) and SKM Investment Fund (SKM Investment), acquired a combined fully diluted interest in Ollie's of 53.1%. Two of the Company's directors, Thomas Saunders and John Megrue, are principal members of Saunders Karp & Megrue Partners, L.L.C., which serves as the general partner of SKM Equity and SKM Investment. In conjunction with the acquisition of its interest in Ollie's, the Company also entered into a call option agreement. The option agreement provides the Company with the right to purchase all of SKM Equity's and SKM Investment's equity in Ollie's, for a fixed price as set forth in the agreement, subject to adjustments dependent on the occurrence of certain future events. The Company has no obligation to exercise the option or make any additional investment in Ollie's.

4. NET INCOME PER SHARE

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

	Three Months Ended		Nine Months Ended	
	November 1, 2003	October 31, 2002	November 1, 2003	October 31, 2002
	(In thousands, except per share data)			
Basic net income per share:				
Net income	$ 36,161	$ 30,894	$ 97,755	$ 83,602
Weighted average number of common shares outstanding	115,038	114,124	114,599	113,616
Basic net income per share	$ 0.31	$ 0.27	$ 0.85	$ 0.74
Diluted net income per share:				
Net income	$ 36,161	$ 30,894	$ 97,755	$ 83,602
Weighted average number of common shares outstanding	115,038	114,124	114,599	113,616
Dilutive effect of stock options and restricted stock (as determined by applying the treasury stock method)	1,389	446	919	966
Weighted average number of common shares and dilutive potential common shares outstanding	116,427	114,570	115,518	114,582
Diluted net income per share	$ 0.31	$ 0.27	$ 0.85	$ 0.73

At November 1, 2003 and October 31, 2002, 172,788 and 2,196,756 stock options, respectively, are not included in the calculation of the weighted average number of common shares and dilutive potential common shares outstanding because their effect would be anti-dilutive.

5. VARIABLE INTEREST ENTITY

Effective January 1, 2003, the Company implemented the Financial Accounting Standards Board's Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46). Under the terms of this standard, certain variable interest entities, such as the entity in which the Company's synthetic lease facility is held, are required to be consolidated in the Company's financial statements. As a result of the implementation, the assets of four distribution centers and the debt formerly incurred by the variable interest entity

to purchase and construct the assets were included in the Company's balance sheets for periods after January 1, 2003. These distribution centers were previously accounted for as operating leases.

The following table reconciles reported net income and net income per share to net income and net income per share that would have been recorded if FIN 46 were effective for each of the periods presented prior to January 1, 2003:

	Three Months Ended		Nine Months Ended	
	November 1, 2003	October 31, 2002	November 1, 2003	October 31, 2002
	(In thousands, except per share data)			
Reconciliation of net income:				
Net income, as reported	$36,161	$30,894	$97,755	$83,602
Less: Depreciation, amortization and deferred rent effect (net of tax)	--	(1,031)	--	(3,091)
Adjusted net income	$36,161	$29,863	$97,755	$80,511
Basic net income per share:				
Net income per share, as reported	$ 0.31	$ 0.27	$ 0.85	$ 0.74
Less: Depreciation, amortization and deferred rent effect (net of tax)	--	(0.01)	--	(0.03)
Adjusted net income per share	$ 0.31	$ 0.26	$ 0.85	$ 0.71
Diluted net income per share:				
Net income per share, as reported	$ 0.31	$ 0.27	$ 0.85	$ 0.73
Less: Depreciation, amortization and deferred rent effect (net of tax)	--	(0.01)	--	(0.03)
Adjusted net income per share	$ 0.31	$ 0.26	$ 0.85	$ 0.70

6. STOCK-BASED COMPENSATION

In December 2002, the Financial Accounting Standards Board issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of SFAS No. 123." This statement amends SFAS No. 123 to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002 and are included in the table below.

The Company currently applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations in accounting for its fixed stock option plans. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. SFAS No. 123, "Accounting for Stock-Based Compensation," established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure only requirements of SFAS No. 148.

If the accounting provisions of SFAS No. 123 had been adopted, the Company's net income and net income per share would have been reduced to the pro forma amounts indicated in the following table:

Three Months Ended		Nine Months Ended	
November 1, 2003	October 31, 2002	November 1, 2003	October 31, 2002
(In thousands, except per share data)			

Net income as reported	$36,161	$30,894	$ 97,755	$ 83,602
Deduct: Additional stock-based employee compensation determined under fair-value based method net of related tax effects	(3,178)	(3,179)	(10,027)	(10,368)
Net income for SFAS No. 123	$32,983	$27,715	$ 87,728	$ 73,234
Net income per share				
Basic, as reported	$ 0.31	$ 0.27	$ 0.85	$ 0.74
Basic, pro forma for SFAS No. 123	$ 0.29	$ 0.24	$ 0.77	$ 0.64
Diluted, as reported	$ 0.31	$ 0.27	$ 0.85	$ 0.73
Diluted, pro forma for SFAS No. 123	$ 0.28	$ 0.24	$ 0.76	$ 0.64

These pro forma amounts for SFAS No. 123 may not be representative of future disclosures because compensation cost is reflected over the options' vesting periods and because additional options may be granted in future periods.

On March 24, 2003, the Board of Directors granted options to employees under the Company's Stock Incentive Plan to purchase 1,812,150 shares of the Company's common stock at an exercise price of $20.02 per share. The exercise price represents the fair market value of the Company's stock at the date of the grant.

On June 19, 2003, options to purchase 36,000 shares of common stock, at an exercise price of $32.02, were granted to continuing non-employee directors.

For pro forma disclosure purposes the fair value of the newly granted options was calculated using the Black-Scholes option-pricing model with the following assumptions, resulting in the weighted average fair market value shown:

	2003 Third Quarter	2003 Second Quarter	2003 First Quarter
Expected term in years	5.5	5.9	6.4
Expected volatility	61.1%	62.0%	62.8%
Annual dividend yield	--	--	--
Risk-free interest rate	3.6%	3.8%	3.3%
Weighted average fair value of options granted during the period	$20.30	$17.93	$12.39

7. COMPREHENSIVE INCOME

The Company's comprehensive income reflects the effect of recording derivative financial instruments pursuant to SFAS No. 133. The following table provides a reconciliation of net income to total comprehensive income:

	Three Months Ended		Nine Months Ended	
	November 1, 2003	October 31, 2002	November 1, 2003	October 31, 2002
	(In thousands)			
Net income	$ 36,161	$ 30,894	$ 97,755	$ 83,602
Fair value adjustment-derivative cash flow hedging instruments	41	(581)	385	(1,481)
Income tax benefit (expense)	(16)	224	(148)	575
Fair value adjustment, net of tax	25	(357)	237	(906)
Amortization of SFAS No. 133 cumulative effect	6	4	18	17
Income tax benefit	(3)	(1)	(7)	(5)
Amortization of SFAS No. 133 cumulative effect, net of tax	3	3	11	12

Total comprehensive income	$ 36,189	$ 30,540	$ 98,003	$ 82,708

The cumulative effect recorded in "accumulated other comprehensive loss" is being amortized over the remaining lives of the related interest rate swaps.

8. REVOLVING CREDIT FACILITY

Effective May 30, 2003, the Company entered into a Revolving Credit Facility (the Revolver Agreement). The Revolver Agreement provides for, among other things: (1) a $150.0 million revolving line of credit, bearing interest at LIBOR, plus a spread; and (2) an annual facilities fee, calculated as a percentage, as defined, of the amount available under the line of credit and an annual administrative fee payable quarterly.

The Revolver 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 Revolver Agreement matures on May 29, 2004. The Company's existing $50.0 million revolving credit facility was terminated concurrent with entering into the new $150.0 million revolving credit facility.

As of November 1, 2003, the outstanding amount on the revolving line of credit is $39.7 million. As of December 2, 2003, there was no outstanding balance on the revolving line of credit.

9. SUBSEQUENT EVENT

Pursuant to an existing program, the Company repurchased 60,100 shares of its common stock on the open market in December 2003. Following their repurchase, the shares were retired.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

INTRODUCTORY NOTE: Unless otherwise stated, references to "we," "our" and "us" generally refer to Dollar Tree Stores, Inc. and its direct and indirect subsidiaries on a consolidated basis.

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 or results and typically use words such as "believe," "anticipate," "expect," "intend," "plan" or "estimate." For example, our forward-looking statements include statements regarding:

- our future net sales results, comparable store net sales, future gross profit margin and earnings growth;
- our growth plans, including our plans regarding new distribution centers and our anticipated square footage growth;
- our expectations about our selling, general and administrative and depreciation expenses, freight costs, merchandise shrink and future operating margin;
- our investment in technology and its effect on our labor productivity and store operating costs;
- our expectations regarding our capital expenditures plan;
- our point-of-sale store conversion plans;
- our plans regarding Greenbacks, including conversion of stores and improvements in gross profit margin; and
- our cash needs, including our ability to fund our future capital expenditures, working capital requirements and distribution network expansion.

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 below, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" sections in our Annual Report on Form 10-K filed March 28, 2003, and review "Risk Factors" in our most recent prospectus:

- Failure of Greenbacks and Dollar Tree to integrate successfully would cause us to not realize our expected accretion to earnings.
- The outbreak of war and other national and international events, such as terrorism, could lead to disruptions in the economy.

- Our profitability is vulnerable to future increases in operating and merchandise costs including shipping rates, freight costs, wage levels, inflation, competition and other adverse economic factors.

- Adverse economic conditions, such as reduced consumer confidence and spending, or bad weather could significantly reduce our sales.

- We could fail to meet our goals for opening or expanding stores on a timely basis, which could cause our sales to suffer. We may not anticipate all the challenges that our expanding operations will impose and, as a result, we may not meet our targets for opening new stores and expanding profitably. In addition, new stores or expanded stores located near existing stores cause sales at our existing stores to suffer.

- Our sales may be below expectations during the Christmas selling season, which may cause our operating results to suffer materially.

- Unforeseen disruptions or costs in operating and expanding our receiving and distribution systems could harm our sales and profitability.

- Our merchandise mix relies heavily on imported goods. An increase in the cost of or disruption in the flow of these goods, for example because of currency fluctuations or the reappearance of Severe Acute Respiratory Syndrome (SARS), may significantly decrease our sales and profits because any transition to alternative sources may not occur in time to meet our demands. In addition, products and alternative sources may also be of lesser quality and more expensive than those we currently import.

- Disruptions in the availability of quality, low-cost merchandise in sufficient quantities to maintain our growth may reduce sales and profits.

- Unforeseen difficulties could prevent us from converting our stores to point-of-sale in the anticipated timeframe and from achieving our anticipated benefits in labor productivity and store operating costs.

Our forward-looking statements could be wrong in light of these and other risks, uncertainties and assumptions. The future events, developments or results described in this report or our most recent prospectus 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 quarterly 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 analyst regardless of the content of the statement or report. We generally do not issue financial forecasts or projections and we have a policy against confirming those 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.

Recent Developments

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

- We changed our fiscal year from a calendar year to a retail fiscal year ending on the Saturday closest to January 31. As a result, the fiscal year 2003 represents the period beginning February 2, 2003 and ending January 31, 2004. The following table presents the dates and the number of days in the respective quarters for fiscal year 2003 and fiscal year 2002:

First Quarter 2003	February 2, 2003-May 3, 2003	91
First Quarter 2002	February 1, 2002-April 30, 2002	89
Second Quarter 2003	May 4, 2003-August 2, 2003	91
Second Quarter 2002	May 1, 2002-July 31, 2002	92
Third Quarter 2003	August 3, 2003-November 1, 2003	91
Third Quarter 2002	August 1, 2002-October 31, 2002	92
Fourth Quarter 2003	November 2, 2003-January 31, 2004	91
Fourth Quarter 2002	November 1, 2002-February 1, 2003	93

- We have begun construction on our two new distribution centers, one in Joliet, Illinois and the other in Ridgefield, Washington. The Joliet distribution center will be a fully automated 1.2 million square foot facility and will replace our existing Chicago distribution center. The Ridgefield distribution center will be a 665,000 square foot facility that can be expanded in the future to accommodate our growth needs. We anticipate that the Ridgefield distribution center will be operational during our first quarter of 2004 and the Joliet distribution center will be operational by mid-year fiscal 2004.

- On June 29, 2003, we completed our acquisition of Greenbacks, Inc., based in Salt Lake City, Utah, for approximately $100 million in cash. Greenbacks operated 100 stores in 10 western states and an expandable 252,000 square foot distribution center in Salt Lake City. We used existing cash to fund the purchase and the transaction was accounted for under the purchase method of accounting. Greenbacks is included in our results of operations since the date of acquisition.

Results of Operations

The Quarter Ended November 1, 2003 Compared to the Quarter Ended October 31, 2002

Net Sales. Net sales increased 19.4% in the third quarter of 2003 compared to the prior year third quarter. This $108.3 million increase in net sales resulted primarily from increased sales at our new and expanded stores and from a 1.7% increase in comparable store net sales. Net sales in our larger, newer stores, particularly our 10,000-15,000 square foot stores, have been stronger than those in our smaller, older stores. Our comparable store net sales increase was primarily due to our expanded and relocated stores. 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 stores.

At November 1, 2003, we operated 2,511 stores, in 47 states, with 16.6 million selling square feet compared to 2,272 stores with 13.2 million selling square feet at February 1, 2003 and 2,211 stores with 12.5 million selling square feet at October 31, 2002. We opened 50 stores, expanded or relocated 45 stores and closed 7 stores in the third quarter of 2003, compared to 101 stores opened, 36 stores expanded, and 4 stores closed in the third quarter of 2002. In the third quarter of 2003, we added approximately 0.9 million selling square feet, of which approximately 0.4 million selling square feet was added through expanding existing stores.

Gross Profit. Our gross profit as a percentage of net sales is called our gross profit margin. Gross profit margin decreased to 36.6% in the quarter ended November 1, 2003 compared to 36.8% in the quarter ended October 31, 2002. This decline was primarily attributable to the following:

- increased freight rates and occupancy costs, as a percentage of sales;
- approximately $1.0 million of additional non-cash depreciation expense in this quarter’s cost of sales associated with the adoption of FIN 46-Consolidation of Variable Interest Entities, which consolidated four of our distribution centers, previously accounted for as operating leases, in our financial statements; and
- the inclusion of Greenbacks' lower margin net sales in our results.

These factors were partially offset by improved merchandise margin as a result of better buying and timing and improved markdown costs.

Selling, General and Administrative Expenses. Selling, general, and administrative expenses for the third quarter of 2003 decreased to 27.5%, as a percentage of net sales, compared to last year’s third quarter of 27.6%. This decline was primarily attributed to improvements in payroll-related costs, store operating costs and corporate expenses. These improvements were partially offset by increased depreciation expense associated with our investments in new and expanded stores and technology assets. Management believes our investments in technology will continue to benefit labor productivity and store operating costs.

Operating Income. Because of the reasons discussed above, operating income decreased as a percentage of net sales to 9.1% in the third quarter of 2003 compared to 9.2% in the same period of 2002.

Interest Income/Expense. Interest income decreased to $0.6 million in the third quarter of 2003 from $0.7 million in the third quarter of 2002. This decrease resulted primarily from a decrease in the average cash and cash equivalents invested for the third quarter of 2003 compared to the third quarter of 2002. Interest expense increased to $2.1 million in the third quarter of 2003 compared $1.1 million for the third quarter of 2002. This increase was primarily due to approximately $1.0 million of additional interest expense associated with the implementation of FIN 46.

Change in Fair Value of Non-hedging Interest Rate Swaps. SFAS No. 133 requires us to reflect our non-hedging interest rate swaps at their fair value, which may fluctuate primarily because of changes in interest rates. The fair value of our swaps changed very little in the third quarter of 2003. In the third quarter of 2002, in contrast, we incurred $0.6 million in expense because the fair value of the swaps decreased by that amount. Because there are many variables involved in determining fair value of our swaps, our management is not able to predict their fair values for future periods.

The Nine Months Ended November 1, 2003 Compared to the Nine Months Ended October 31, 2002

Net Sales. Net sales increased 20.8% in the first nine months of 2003 compared to the first nine months of the prior year. This increase was due to sales at our new and expanded stores and a 3.2% increase in comparable store net sales. Net sales in our larger, newer stores, particularly our 10,000-15,000 square foot stores, have been stronger than those in our smaller, older stores. 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 stores.

For the nine months ended November 1, 2003, we opened 166 stores, added 100 Greenbacks stores, expanded or relocated 110 stores and closed 27 stores, compared to 241 stores opened, 85 stores expanded or relocated, and 24 stores closed in the first three quarters of 2002. For the fiscal 2003 year-to-date, we added approximately 3.3 million selling square feet, of which approximately 0.8 million selling square feet was added through expanding existing stores.

Gross Profit. Our gross profit as a percentage of net sales is called our gross profit margin. Gross profit margin decreased to 35.8% for the first nine months of 2003 compared to 36.3% for the same period last year. This decline was primarily attributable to the following:

- increased freight rates, as a percentage of sales; and
- approximately $3.0 million of additional non-cash depreciation expense in this year’s cost of sales associated with the adoption of FIN 46-Consolidation of Variable Interest Entities, which consolidated four of our distribution centers, previously accounted for as operating leases, in our financial statements.

Selling, General and Administrative Expenses. Selling, general, and administrative expenses, as a percentage of net sales, for the first nine months of 2003 was 27.3% compared to last year’s comparable period of 27.5%. This decline was primarily attributed to improvements in payroll-related costs. This decrease was partially offset by increased depreciation expense associated with our investments in new and expanded stores and technology assets.

Operating Income. Due to the reasons discussed above, operating income decreased as a percentage of net sales to 8.5% for the first three quarters of 2003 compared to 8.8% for the same period of 2002.

Interest Income/Expense. Interest income decreased to $2.1 million in the first nine months of 2003 from $2.5 million in the first nine months of 2002. This decrease resulted from a decrease in the average cash and cash equivalents invested in the first nine months of 2003 compared to the same period in 2002. Interest expense increased to $6.3 million in the first three quarters of 2003 compared to $3.4 million for the first three quarters of 2002.

This increase was primarily due toapproximately $3.0 million of additional interest expense associated with the implementation of FIN 46.

Change in Fair Value of Non-hedging Interest Rate Swaps. The $0.7 million in income for the nine months ended November 1, 2003 and $1.5 million in expense for the nine months ended October 31, 2002 is the result of reflecting our non-hedging interest rate swaps at their fair values in accordance with SFAS No. 133. The change in the fair values is primarily the result of changes in interest rates. Because there are many variables involved in determining the fair value, our management is not able to predict changes in the fair values of our interest rate swaps.

Fourth Quarter 2003 and Fiscal Year 2004

We expect our fourth quarter 2003 net sales to be $880-$905 million. In addition, we expect gross margin for the fourth quarter of 2003 to improve slightly compared to the fourth quarter of 2002; we expect store shrink, a component of gross margin, in the fourth quarter to improve compared to the same period in 2002.

We continue to expect a slight increase in depreciation as a percentage of net sales during the fourth quarter of 2003 due to the continued installation of point-of-sale systems in our stores. We believe this non-cash expense will become more consistent, as a percentage of net sales, by fiscal year 2006.

We expect operating margin in the fourth quarter of 2003 to be approximately 14.5%-15.0%. We believe that the expected improvement over the prior year fourth quarter will be primarily attributed to our expected gross margin improvement partially offset by an expected slight increase in depreciation expense, both discussed above, in addition to the following:

- decreased incremental costs associated with the early adoption of FIN 46, effective January 1, 2003;

- more leverage of fixed costs in the fourth quarter of 2003 compared to the fourth quarter of 2002 when comparable store net sales decreased almost 2.0%; and

- expected modest improvement in selling, general, and administrative expenses, as a percentage of net sales, which will result from continued productivity improvements and focus on cost containment.

We expect to end the fiscal year 2003 with square footage growth of approximately 28.0%.

In fiscal year 2004, we expect our net sales to be $3.2-$3.3 billion and our sales and earnings growth to be in the 15%-20% range compared to fiscal 2003. We expect freight rates to increase; however, we believe the increase will be offset by improvements in other areas of gross margin and, therefore, we do not expect a significant impact on our overall gross margin. We expect a slight increase in depreciation, as a percentage of net sales during 2004 because of the continued installation of point-of-sale systems in our stores. We expect modest improvement, in the range of 0.1% to 0.2% of sales, in operating margin.

In 2004, our square footage growth is expected to be approximately 20%. This growth plan includes more than 200 net new stores and more than 100 relocated and expanded stores. We plan capital expenditures in fiscal 2004 to be $230-$250 million, similar to 2003, and our focus will be on our new and expanded stores, distribution center infrastructure, and continued technology investments. We have approximately 1,645 point-of-sale stores as of November 1, 2003 and expect to convert virtually all remaining stores that will benefit from this technology by the end of 2004.

Liquidity and Capital Resources

Our business requires capital to open new stores, expand our distribution network and operate existing stores. Our working capital requirements for existing stores are seasonal in nature and typically reach their peak in the months of September and October.

Historically, we have satisfied our seasonal working capital requirements for existing stores and funded our store opening and expansion programs from internally generated funds and borrowings under our credit facilities.

The following table compares cash-related information for the nine months ended November 1, 2003 and October 31, 2002:

	Nine Months Ended	
	November 1, 2003	October 31, 2002
	(In millions)	
Net cash provided by (used in):		
Operating activities	$ 1.7	$ (29.1)
Investing activities	(213.7)	(110.1)
Financing activities	41.8	20.2

The $30.8 million increase in cash provided by operating activities was primarily the result of increased net income net of non-cash expense adjustments partially offset by changes in net working capital.

The $103.6 million increase in cash used in investing activities was primarily due to the following:

- the purchase of Greenbacks;

- increased capital expenditures associated with our new and expanded stores and new distribution centers; and

- increased purchases of short-term investments.

These increases in cash used in investing activities were offset by proceeds received from the sale of our short-term investments.

The $21.6 million increase in cash provided by financing activities was primarily attributed to $39.7 million in proceeds received from borrowing against our revolving credit facility to cover our seasonal inventory purchases and our distribution center construction. This increase was partially offset by repayment of our long-term debt and $9.5 million less cash received pursuant to stock-based compensation plans in the first nine months of 2003 compared to the first nine months of 2002 due to decreased stock option exercises. We believe the decrease in stock option exercises was primarily attributable to generally lower stock prices in the first nine months of 2003 compared to the prior year period.

Effective May 30, 2003, we entered into a revolving credit facility. The facility provides for, among other things: (1) a $150 million revolving line of credit, bearing interest at LIBOR, plus a spread; and (2) an annual facilities fee, calculated as a percentage, as defined, of the amount available under the line of credit and an annual administrative fee payable quarterly.

The facility, 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 facility matures on May 29, 2004.

At November 1, 2003, our long-term borrowings were $167.4 million. We had $110.3 million available through our revolving credit facility and $39.7 million was outstanding under this facility. As of December 2, 2003, there was no outstanding balance on the revolving line of credit. We also have a $125.0 million Letter of Credit Reimbursement and Security Agreement, of which approximately $44.7 million was committed to letters of credit issued for routine purchases of imported merchandise.

On August 7, 2003, we paid $4.0 million to acquire a 10.5% fully diluted interest in Ollie's Holdings, Inc., a multi-price point discount retailer located in the mid-Atlantic

region. In addition, the SKM Equity Fund III, L.P. and SKM Investment Fund acquired a combined fully diluted interest in Ollie's of 53.1%. Two of our directors, Thomas Saunders and John Megrue, are principal members of Saunders Karp & Megrue Partners, L.L.C., which serves as the general partner of SKM Equity and SKM Investment. We also entered into a call option agreement giving us the right to purchase all of SKM Equity's and SKM Investment's equity in Ollie's for a fixed price as set forth in the agreement, subject to adjustments dependent on the occurrence of certain future events. We have no obligation to exercise the option or make any additional investment in Ollie's.

Item 3. 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 foreign currency rate fluctuations. We may enter into interest rate swaps to manage our exposure to interest rate changes, and we may employ other risk management strategies, including the use of foreign currency forward contracts. We do not enter into derivative instruments for any purpose other than cash flow hedging purposes. Certain of our interest rate swaps do not qualify for hedge accounting treatment under SFAS No. 133, as amended by SFAS No. 138, because they contain provisions that "knockout" the swap when the variable interest rate exceeds a predetermined rate.

Interest Rate Risk

The following table summarizes the financial terms and fair values of each of our interest rate swap agreements at November 1, 2003:

Hedging Instrument	Receive Variable	Pay Fixed	Knockout Rate	Expiration	Fair Value
$19.0 million interest rate swap	LIBOR	4.88%	7.75%	4/1/09	($1,654,000)
$10.0 million interest rate swap	LIBOR	6.45%	7.41%	6/2/04	($311,000)
$5.0 million interest rate swap	LIBOR	5.83%	7.41%	6/2/04	($137,000)
$25.0 million interest rate swap	LIBOR	5.43%	N/A	3/12/06	($1,856,000)

Due to the many variables involved in determining the fair value, management is not able to predict the changes in fair value of our interest rate swaps. The fair values are the estimated amounts we would pay to terminate the agreements as of the reporting date. These fair values are obtained from an outside financial institution.

There have been no material changes in our interest rate risk exposure during the first nine months of 2003.

Foreign Currency Risk

There have been no material changes to our market risk exposures resulting from foreign currency transactions during the first nine months of 2003.

Item 4. CONTROLS AND PROCEDURES.

(a) Evaluation of disclosure controls and procedures

Within 90 days prior to the date of this report, our disclosure committee carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-14 of the Securities and Exchange Act of 1934 (the “Exchange Act”). Based upon that evaluation, our chief executive officer and our chief financial officer concluded that as of the date of our evaluation, the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

(b) Changes in internal controls

There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of our most recent evaluation.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS.

From time to time we are defendants in ordinary, routine litigation and proceedings incidental to our business, including:

- employment-related matters;
- product safety matters, including product recalls by the Consumer Products Safety Commission;
- personal injury claims; and
- the infringement of the intellectual property rights of others.

We have been sued in California by several employees and in Alabama by a salaried store manager and a former store manager who allege, among other things, that they should have been classified as non-exempt employees and, therefore, should have received overtime compensation. The suits also request that the California state court certify the case as a class action on behalf of all store managers, assistant managers and merchandise managers in our California stores and request that the Alabama Federal Court certify the case as a collective action under the Fair Labor Standards Act on behalf of all salaried managers in all of our stores. We were also sued in California on November 3, 2003 by a former store manager who alleges that certain employees should have received meal period breaks and paid rest periods. As in the other California lawsuit, he also alleges that he and other salaried managers should have been classified as non-exempt employees and, therefore, should have received overtime compensation. The suit also requests that the California state court certify the case as a class action. We will vigorously defend ourselves in all these matters.

A plaintiff filed suit against us alleging that a stretch cord purchased in one of our stores was responsible for the loss of her eye. Plaintiff alleges, among other things, that we did not warn her of the dangers resulting from the use of stretch cords. We believe that we are not liable for this loss and will defend ourselves vigorously. However, no assurances can be given as to the outcome of this case.

We do not believe that any of these matters will individually, or in the aggregate, have a material adverse affect on our financial condition or results of operations.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

31 and 32. Additional Exhibits

31.1 Certification required under Section 302 of the Sarbanes-Oxley Act of Chief Executive Officer

31.2 Certification required under Section 302 of the Sarbanes-Oxley Act of Chief Financial Officer

32.1 Statement under Section 906 of the Sarbanes-Oxley Act of Chief Executive Officer

32.2 Statement under Section 906 of the Sarbanes-Oxley Act of Chief Financial Officer

(b) Reports on Form 8-K:

The following reports on Form 8-K were filed during the third quarter of 2003:

1. Report on Form 8-K, filed August 7, 2003, included a press release regarding the sales results for the second quarter ended August 2, 2003.

2. Report on Form 8-K, filed August 26, 2003, included the text and the tables of the press release regarding the earnings results for the second quarter ended August 2, 2003.

3. Report on Form 8-K, filed August 29, 2003, included a summary of information discussed in the second quarter of 2003 earnings conference call.

4. Report on Form 8-K, filed September 22, 2003, included the text of a press release regarding reaffirmation of revenue guidance.

5. Report on Form 8-K, filed October 1, 2003, included the text of a press release announcing the promotion of Bob Sasser to Chief Executive Officer.

6. Report on Form 8-K, filed October 7, 2003, included the text of the business update for the third quarter of 2003.

Also, in the fourth quarter of 2003, we filed the following reports on Form 8-K:

1. Report on Form 8-K, filed November 6, 2003, included a press release regarding the sales results for the third quarter ended November 1, 2003.

2. Report on Form 8-K, filed November 25, 2003, included a press release regarding the earnings results for the third quarter ended November 1, 2003.

3. Report on Form 8-K, filed November 28, 2003, included a summary of information discussed in the third quarter of 2003 earnings conference call.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATE: December 11, 2003

DOLLAR TREE STORES, INC.

/s/ Frederick C. Coble

Frederick C. Coble
Chief Financial Officer
(principal financial and accounting officer)

EXHIBIT 31.1

CERTIFICATION

I, Macon F. Brock, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dollar Tree Stores, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: December 11, 2003

By: /s/ Macon F. Brock, Jr.

Macon F. Brock, Jr.
Chairman and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Frederick C. Coble, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dollar Tree Stores, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: December 11, 2003

By: /s/ Frederick C. Coble

Frederick C. Coble
Chief Financial Officer

EXHIBIT 32.1

Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Dollar Tree Stores, Inc. (the “Company”) on Form 10-Q for the period ending November 1, 2003, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Macon F. Brock, Jr., Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

December 11, 2003
Date

By: /s/ Macon F. Brock, Jr.

Macon F. Brock, Jr.
Chairman and Chief Executive Officer

EXHIBIT 32.2

Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Dollar Tree Stores, Inc. (the "Company") on Form 10-Q for the period ending November 1, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Frederick C. Coble, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

December 11, 2003
Date

By: /s/ Frederick C. Coble

Frederick C. Coble
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Dollar Tree Stores, Inc. and will be retained by Dollar Tree Stores, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.