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Securities and Exchange Commission
Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended April 29, 2000

Commission file number 1-8897

CONSOLIDATED STORES CORPORATION

A Delaware Corporation
IRS No. 06-1119097
1105 North Market Street, Suite 1300
P. O. Box 8985
Wilmington, Delaware 19899
(302) 478-4896

Indicate 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, and (2) has been subject to such filing requirements for the past 90 days. Yes [] No []

The number of shares of Common Stock \$.01 par value per share, outstanding as of June 5, 2000, was 111,358,070 and there were no shares of Nonvoting Common Stock, \$.01 par value per share outstanding at that date.

FORM 10-Q

CONSOLIDATED STORES CORPORATION
QUARTERLY REPORT ON FORM 10-Q

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CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

	April 29, 2000	January 29, 2000
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 56,789	\$ 96,337
Inventories	1,226,962	1,146,387
Deferred income taxes	97,830	100,555
Other current assets	136,746	76,421
Total current assets	<u>1,518,327</u>	<u>1,419,700</u>
Property and equipment — net	741,229	729,985
Other assets	33,794	37,098
	<u>\$2,293,350</u>	<u>\$2,186,783</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 375,112	\$ 418,728
Accrued liabilities and income taxes	88,736	151,338
Current maturities of long-term obligations	157,183	140,696
Total current liabilities	<u>621,031</u>	<u>710,762</u>
Long-term obligations	270,416	60,546
Deferred income taxes	106,584	107,278
Minority interest and other liabilities	4,461	8,135
Commitments and contingencies		
Stockholders' equity:		
Preferred stock — authorized 2,000 shares, \$.01 par value; none issued		
Common stock — authorized 290,000 shares, \$.01 par value; issued 111,356 shares and 111,000 shares, respectively	1,114	1,110
Nonvoting common stock — authorized 8,000 shares, \$.01 par value; none issued		
Additional paid-in capital	411,616	407,647
Retained earnings	878,128	891,305
Total stockholders' equity	<u>1,290,858</u>	<u>1,300,062</u>
	<u>\$2,293,350</u>	<u>\$2,186,783</u>

The accompanying notes are an integral part of these condensed financial statements.

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per common share data)

	Thirteen weeks ended	
	April 29, 2000	May 1, 1999
Net sales	\$1,004,347	\$923,747
Costs and expenses:		
Cost of sales	601,057	538,500
Selling and administrative expenses	422,772	386,567
Interest expense	5,435	4,830
	1,029,264	929,897
Loss before income taxes and minority interest	(24,917)	(6,150)
Income taxes (benefit)	(9,842)	(2,429)
Loss before minority interest	(15,075)	(3,721)
Minority interest in net loss of consolidated subsidiary	1,898	
Net loss	\$ (13,177)	\$ (3,721)
Loss per common share	\$ (0.12)	\$ (0.03)
Loss per common share — diluted	\$ (0.12)	\$ (0.03)
Average common shares outstanding	111,105	109,840
Dilutive effect of stock options		
Diluted	111,105	109,840

The accompanying notes are an integral part of these condensed financial statements.

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	<u>Thirteen weeks ended</u>	
	<u>April 29, 2000</u>	<u>May 1, 1999</u>
Operating Activities:		
Net loss	\$ (13,177)	\$ (3,721)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	27,503	21,337
Deferred income taxes	2,029	(518)
Minority interest in consolidated subsidiary	(1,898)	
Other	3,843	3,929
Change in assets and liabilities	<u>(247,115)</u>	<u>(85,415)</u>
Net cash used in operating activities	<u>(228,815)</u>	<u>(64,388)</u>
Investing Activities:		
Capital expenditures	(37,504)	(35,375)
Other	354	
Net cash used in investing activities	<u>(37,150)</u>	<u>(35,375)</u>
Financing Activities:		
Proceeds from credit arrangements	226,357	89,708
Proceeds from exercise of stock options	60	6,772
Payments of senior notes and long-term obligations		<u>(93)</u>
Net cash provided by financing activities	<u>226,417</u>	<u>96,387</u>
Decrease in cash and cash equivalents	<u>\$ (39,548)</u>	<u>\$ (3,376)</u>
Supplemental Disclosure of Cash Flow Information:		
Income taxes paid	\$ 64,964	\$ 39,813
Interest paid	\$ 5,530	\$ 6,641

The accompanying notes are an integral part of these condensed financial statements.

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. The condensed consolidated balance sheet at April 29, 2000, and the condensed consolidated statements of income and statements of cash flows for the thirteen week period ended April 29, 2000 and May 1, 1999, have been prepared by the Company without audit. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations, and cash flows for all periods presented have been made. Such adjustments consisted only of normal recurring items.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principals have been omitted or condensed, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that the condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2000. Interim results are not necessarily indicative of results for a full year.

Note 2 — Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." The Company is required to adopt SFAS No. 133 in the year ended February 2, 2002. SFAS No. 133 establishes methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. In June 1999, SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities — Deferral of the Effective Date of FASB Statement No. 133 — an amendment of FASB Statement No. 133," was issued. This amendment delayed the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000.

Note 3 — New Business

On June 25, 1999, a wholly-owned subsidiary of the Company and BrainPlay.com, Inc., an unaffiliated entity, entered into a Contribution Agreement to form KBkids.com LLC as a joint venture. KBkids.com LLC operates an online retail business offering toys, video games, software and videos. Under the Contribution Agreement, the Company received 80% of the membership units in KBkids.com LLC in exchange for contributing cash of \$80,000,000 and intangibles valued at \$4,000,000. BrainPlay.com, Inc., received the remaining 20% of the membership units in exchange for contributing substantially all of its assets and liabilities including its Web site, technology infrastructure and management team.

Terms of the Contribution Agreement provide, among other matters, that the Company or its affiliates can not sell toy products on the Internet until December 31, 2001, or one year after the completion of a capital markets transaction, whichever comes first. In addition, as long as the Company owns a majority of the membership interests of KBkids.com LLC neither the Company nor its affiliates can sell any toy products on the Internet, unless they are "closeouts."

Under various operating, service and supply agreements, the Company provides KBkids.com LLC a number of services, including certain executive, human resources, legal, finance, treasury, tax, purchasing and merchandising services. The cost of these services are allocated according to established methodologies as determined at arms length.

**CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**CAUTIONARY STATEMENT FOR PURPOSES OF "SAFE HARBOR" PROVISIONS OF THE
SECURITIES LITIGATION REFORM ACT OF 1995**

All forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this annual report or made by management of the Company involve risks and uncertainties and are subject to change based on various important factors, many of which may be beyond the Company's control. Accordingly, the Company's future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements and, among other things, are based on the Company's current best estimates that may be proven incorrect as additional information becomes available. While the Company believes its assumptions are reasonable, it cautions that it is impossible to predict factors that could cause actual costs or timetables to differ materially from the expected results. Additionally, the following factors, among others, in some cases have affected and in the future could affect the Company's financial performance and actual results and could cause actual results for 2000 and beyond to differ materially from those expressed or implied in any forward-looking statements included in this report or otherwise made by management: changes in consumer spending patterns, consumer preferences and overall economic conditions, the impact of competition and pricing, changes in weather patterns, political stability, currency and exchange risks and changes in existing or potential duties, tariffs or quotas, availability of suitable store locations at appropriate terms, ability to develop new merchandise, and ability to hire and train associates.

The Company does not undertake to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized. Readers are also urged to carefully review and consider the various disclosures made by the Company which attempt to advise interested parties of the factors which affect the Company's business, including Management's Discussion and Analysis of Financial Condition and Results of Operations included in this report, as well as, the Company's periodic reports filed with the Securities and Exchange Commission.

RECENT ANNOUNCEMENTS

On March 14, 2000 the Company announced the engagement of the investment banking firm of Credit Suisse First Boston to assist in pursuing strategic repositioning alternatives. The review is to explore all viable strategic alternatives, including but not limited to, recapitalization, business divestitures or combinations, stock repurchases, or other means of enhancing shareholder value. No assurance is provided regarding the outcome of the review, or that any transaction will occur, or the timing thereof.

On April 13, 2000, KBkids.com announced that due to unfavorable market conditions, it has postponed its previously announced initial public offering.

OVERVIEW

The Company is a leading value retailer specializing in closeout merchandise and toys. The Company is the largest retailer of closeout products and the largest enclosed mall-based toy retailer in the United States. The Company's goal is to build upon its leadership position in closeout retailing, toy retailing and children's products by expanding its market presence in both existing and new markets. The Company believes that the combination of its strengths made it a low-cost value retailer well-positioned for future growth.

**CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

At May 29, 2000, the Company operated a total of 2,554 stores in all 50 states, Puerto Rico and Guam and conducted online sales of children's products. Retail operations are conducted primarily under the following names:

Closeout	Toy
Odd Lots	K•B Toys
Big Lots	K•B Toy Works
Big Lots Furniture	K•B Toy Outlet
Mac Frugal's Bargains • Close-outs	KBkids.com
Pic 'N' Save	

Wholesale operations are conducted through Consolidated International and Wisconsin Toy.

The Company has historically experienced, and expects to continue to experience, seasonal fluctuations, with a significant percentage of its net sales and income being realized in the fourth fiscal quarter. In addition, the Company's quarterly results can be affected by the timing of store openings and closings, the amount of net sales contributed by new and existing stores and the timing of certain holidays.

The following table compares components of the statement of income as a percent of net sales and reflects the number of stores in operation at the end of each period.

	Thirteen weeks ended	
	April 29, 2000	May 1, 1999
Net Sales:		
Closeout	71.0%	68.5%
Toy	28.0	30.2
Total Retail	99.0	98.7
Wholesale, corporate and other	1.0	1.3
Total Net Sales	100.0	100.0
Gross Profit:		
Closeout	42.2	43.6
Toy	35.4	38.2
Total Retail	40.3	41.9
Wholesale, corporate and other	24.8	23.8
Total Gross Profit	40.2	41.7

**CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

	Thirteen weeks ended	
	April 29, 2000	May 1, 1999
Operating profit (loss):		
Closeout	3.8	3.8
Toy	(16.6)	(9.2)
Total Retail	(1.9)	(0.2)
Wholesale, corporate and other	(2.4)	0.4
Total operating loss	(1.9)	(0.1)
Interest expense	0.6	0.6
Loss before income taxes and minority interest	(2.5)	(0.7)
Income taxes (benefit)	(1.0)	(0.3)
Loss before minority interest	(1.5)	(0.4)
Minority interest in net loss of consolidated subsidiary	(0.2)	—
Net loss	(1.3)%	(0.4)%
Retail stores in operation at end of period:		
Closeout	1,246	1,153
Toy	1,308	1,324
	2,554	2,477

THIRTEEN WEEKS ENDED APRIL 29, 2000 COMPARED TO THIRTEEN WEEKS ENDED MAY 1, 1999

Net Sales Net sales increased to \$1,004.3 million for the thirteen week period ended April 29, 2000, from \$923.7 million in the same period of 1999. This 8.7% increase was primarily attributable to the increased number of stores in operation during the comparative periods and a 3.4% comparable store sales increase.

Net sales and comparable store sales by operating unit were as follows:

Operating Segment	Thirteen weeks ended		Percentage Change
	April 29, 2000	May 1, 1999	
	(In thousands)		
Closeout	\$ 712,865	\$633,058	12.6%
Toy	281,208	279,168	0.7
Total Retail	994,073	912,226	9.0
Wholesale, corporate and other	10,274	11,521	10.8
	\$1,004,347	\$923,747	8.7%

**CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

<u>Operating Segment</u>	<u>Thirteen weeks ended</u>	
	<u>April 29, 2000</u>	<u>May 1, 1999</u>
Comparable store sales:		
Closeout	5.2%	6.4%
Toy	(0.8)	3.7
	<u>3.4%</u>	<u>5.6%</u>

Gross Profit As a percent to net sales, gross profit was 40.2% in the 2000 quarter compared to 41.7% in the previous year quarter. Retail gross profit excluding KBkids.com was 40.5% in comparison to 41.9% in the first quarters of 2000 and 1999, respectively. Closeout Stores gross profit percentage declined to 42.2% compared to 43.6% in the prior year period which is the result of a shift in the level of consumable merchandise available in the respective periods. Toy Stores, excluding KBkids.com, gross profit percentage fell to 36.0% from 38.2% in the comparative first quarters which is reflective of a reduced product mix of trended "in-line" toys which traditionally have a higher gross margin.

Gross profit by operating unit is as follows:

<u>Operating Segment</u>	<u>Thirteen weeks ended</u>	
	<u>April 29, 2000</u>	<u>May 1, 1999</u>
	(In thousands)	
Closeout	\$301,145	\$275,733
Toy	99,597	106,771
Total Retail	400,742	382,504
Wholesale, corporate and other	2,548	2,743
	<u>\$403,290</u>	<u>\$385,247</u>

Selling and Administrative Expenses As a percentage of net sales, selling and administrative expenses increased to 42.1% from 41.8% in the prior year quarter. Excluding KBkids.com selling and administrative expenses were 40.7% in the first quarter of 2000.

**CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Selling and administrative expenses by operating unit are as follows:

<u>Operating Segment</u>	<u>Thirteen weeks ended</u>	
	<u>April 29, 2000</u>	<u>May 1, 1999</u>
	(In thousands)	
Closeout	\$273,686	\$251,526
Toy	146,288	132,343
Total Retail	419,974	383,869
Wholesale, corporate and other	2,798	2,698
	<u>\$422,772</u>	<u>\$385,567</u>

Interest Expense Interest expense increased to \$5.4 million in the first quarter of 2000 from \$4.8 million in fiscal 1999, reflecting higher effective interest rates for borrowings in the period.

Income Taxes The effective tax rate of the Company is anticipated to be 39.5% in fiscal 2000.

CAPITAL RESOURCES AND LIQUIDITY

The primary sources of liquidity for the Company have been cash flow from operations and as necessary borrowings under available credit facilities. Working capital at April 29, 2000, was \$897.3 million and for the thirteen week period then ended net cash used by operations was \$228.8 million and capital expenditures were \$37.5 million.

The Company has a Revolving Credit Facility which provides senior bank financing in an aggregate principal amount of up to \$700 million. The facility has a maturity date of May 15, 2003. From time-to-time the Company also utilizes uncommitted credit facilities, subject to the terms of the Revolving Credit Facility, to supplement short-term borrowing requirements. At April 29, 2000, approximately \$361.4 million was available for borrowings under the Revolver and \$160.0 million of uncommitted credit facilities were available.

The Company continues to believe that it has, or if necessary has the ability to obtain, adequate resources to fund ongoing operating requirements, future capital expenditures related to the expansion of existing businesses, development of new projects and currently maturing obligations. Additionally, management is not aware of any current trends, events, demands, commitments or uncertainties which reasonably can be expected to have a material impact on the liquidity, capital resources, financial position or results of operations of the Company.

PART II — OTHER INFORMATION

- Item 1. Legal Proceedings. Not applicable
- Item 2. Changes in Securities. Not applicable
- Item 3. Defaults Upon Senior Securities. Not applicable
- Item 4. Submission of Matters to Vote of Security Holders

No matter was submitted during the first quarter of the fiscal year covered by this report to a vote of security holders.

- Item 5. Other Information
- Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

<u>Exhibit</u>	<u>Topic</u>
27	Financial Data Schedule

(b) Reports on Form 8-K. None

SIGNATURES

Pursuant to the requirements 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.

CONSOLIDATED STORES CORPORATION

(Registrant)

Dated: June 9, 2000

By: /s/ Michael J. Potter
Michael J. Potter, Executive Vice President,
Chief Financial Officer, and
Principal Accounting Officer