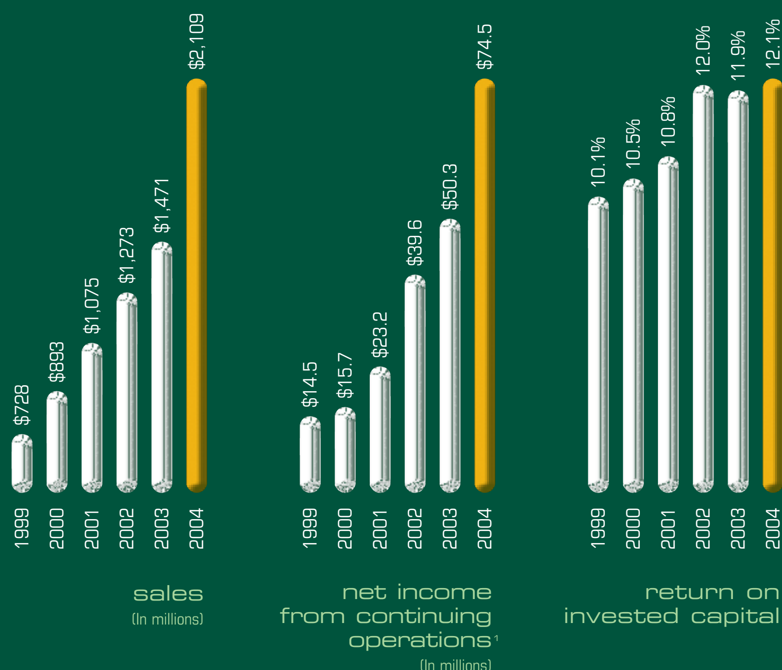
2004 annual report

financial highlights

Fiscal Year	2004	2003	2002
(Dollars in thousands, except per share data)			
Net sales	$ 2,109,399	$ 1,470,845	$ 1,272,584
Gross profit	586,526	408,025	337,628
Gross profit margin	27.8%	27.7%	26.5%
Selling, general and administrative expenses	443,776	314,885	262,755
Pre-opening expenses	11,545	7,499	6,000
Merger integration and store closing costs	20,336	–	–
Income from operations	110,869	85,641	68,873
Net Income	68,905	52,408	38,137
Adjusted Net income [1]	$ 74,518	$ 50,286	$ 39,605
Diluted earnings per common share	1.30	$ 1.04	$ 0.93
Adjusted Diluted earnings per common share [1]	$ 1.41	$ 1.00	$ 0.97
Diluted weighted average shares outstanding (in thousands)	52,921	50,280	40,958
Total stockholders' equity	$ 313,667	$ 240,894	$ 138,823
Return on invested capital	12.1%	11.9%	12.0%
EBITDA	$ 160,471	$ 106,731	$ 80,846
Adjusted EBITDA [1]	$ 166,982	$ 103,195	$ 83,293
Comparable store net sales increase	2.6%	2.1%	5.1%
Store count	234	163	141

Diluted earnings applicable to common stockholders and diluted weighted average shares outstanding are adjusted for the two-for-one stock split, in the form of a stock dividend, which became effective April 5, 2004.

[1] Results exclude merger integration and store closing costs, gain on sale of investment, and loss on write-down of non-cash investment.



executing a winning game plan

Every athlete knows what it takes to reach a new goal: a sound game plan for improvement, along with the discipline, focus and commitment required to execute that plan. At Dick's Sporting Goods, we draw on these same qualities to advance toward our goal of becoming the number one sports and fitness specialty retailer for athletes and outdoor enthusiasts, through the relentless improvement of everything we do. Every day, we're making steady progress toward this objective. Our formula for success is simple: We offer a wide selection of authentic sports, fitness and outdoor merchandise in a convenient, shopper-friendly environment; and we exercise strict financial discipline. Year after year, our unwavering commitment to these principles has enabled Dick's to deliver consistent financial performance. Moreover, it has helped us to become the most profitable publicly held full-line sporting goods retailer as measured by income from continuing operations and adjusted for non-recurring items. We are one of the largest full-line sporting goods retailers in the United States, with 234 stores in 33 states.

CONSISTENT disciplined
authentic

Our goal is to be the number one sports and fitness specialty retailer for all athletes and outdoor enthusiasts, through the relentless improvement of everything we do.

DKS LISTED NYSE

Dear Fellow Shareholders:

I've always believed that the mark of excellence in an athlete is not merely the ability to deliver a single great performance. Instead, it's the ability to deliver that level of performance consistently, regardless of outside influences. At Dick's Sporting Goods, we recognize that consistency is a quality that's also vital to our shareholders, and we pride ourselves on delivering it to you. Our track record of success in this regard is evidenced by our financial highlights charts, which are displayed on the inside front cover of this book. Our fiscal 2004 financial metrics continue that upward trend, with record results in the areas of net income, sales and earnings per share. For the year, our net income grew 48 percent to $74.5 million, up from $50.3 million in 2003. Sales rose 43 percent compared with the prior year, to $2.1 billion, while comparable store sales increased by 2.6 percent. Earnings per share grew to $1.41, representing an increase of 41 percent compared with fiscal 2003.[1]

While these results would be rewarding in any year, to the team at Dick's they are all the more so because we achieved them while driving improvement throughout our business. Among other accomplishments, we completed the first acquisition in our Company's history, drove continued organic growth and strengthened our infrastructure. As a result of these initiatives, Dick's ended fiscal 2004 as the most profitable publicly held full-line sporting goods retailer for the seventh consecutive year, as measured by income from continuing operations and adjusted for non-recurring items. The market recognized our consistent, industry-leading performance with a 36 percent increase in our stock price in fiscal 2004, which is on top of a 162 percent increase in fiscal 2003.

The credit for these accomplishments goes to the more than 16,000 associates here at Dick's. Together, these individuals uphold and reinforce the beliefs that our Company was founded on, including the intense commitment to financial discipline that is an inherent part of our corporate culture. This commitment permeates our entire organization, and I firmly believe that it is among the primary reasons we were able to manage our rapid pace of growth in 2004, while upholding our standards of service and quality. I thank all of our associates for their continued support of our financial discipline and for their contributions to our progress.

Showcasing Our Discipline

We achieved a significant milestone during the year with our acquisition of Galyan's Trading Company, a leading sports and outdoor retailer. We completed this transaction in July for a price of $16.75 per share, or $369 million, which we funded through cash and borrowings under our expanded credit facility. The acquisition gave us a combination of great people, premium real estate and a distribution center, all of which complemented our existing store base.

CONSISTENT

performance

In fiscal 2004, we delivered another year of record financial performance. As a result, Dick's was the most profitable publicly held full-line sporting goods retailer for the seventh consecutive year, as measured by income from continuing operations and adjusted for non-recurring items.

management team
(LEFT TO RIGHT)

Lee Belitsky
Vice President – Controller and Treasurer

Gary M. Sterling
Senior Vice President – Merchandising

Eileen Gabriel
Senior Vice President and Chief Information Officer

Jeffrey R. Hennion
Senior Vice President – Marketing

Jerel Hollens
Senior Vice President – Supply Chain

William R. Newlin
Executive Vice President and Chief Administrative Officer

Jay Crosson
Senior Vice President – Human Resources

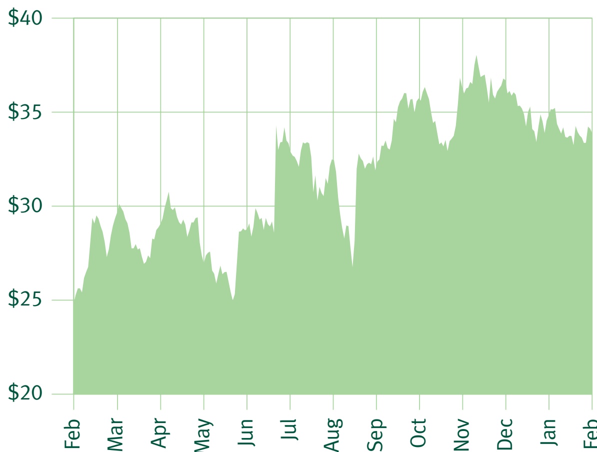
Edward W. Stack
Chairman and CEO

Michael F. Hines
Executive Vice President and Chief Financial Officer

Joseph H. Schmidt
Senior Vice President – Store Operations

William J. Colombo
President and Chief Operating Officer

Specifically, we gained 48 stores in 21 states, which introduced us into several important markets, including Chicago, Atlanta, Minneapolis, Dallas and Denver, and enabled us to increase our presence in several existing markets. It's noteworthy that the majority of these stores were two-level locations, and by adding them we expanded the square footage of our store network by nearly 50 percent at the time of the acquisition. We also added to our team more than 6,000 associates, many of whom are both sports enthusiasts and experienced sales people. All considered, our acquisition of Galyan's was a strategic move for Dick's that accelerated our growth rate, provided a network of stores in a number of new markets and created an opportunity for us to realize greater efficiencies in the areas of procurement, logistics and marketing in the future.



DKS Stock Price Performance 2004
(Adjusted for two-for-one stock split, effective April 2004)

From the outset, our goal was to execute the acquisition quickly and efficiently. Drawing on the operating discipline that is a Dick's hallmark, we immediately set about the process of converting the Galyan's locations into Dick's Sporting Goods stores. This effort involved visiting and evaluating every Galyan's store; reaching out to and retaining Galyan's sales associates and key operating personnel; beginning the process of shifting the merchandise assortment and product layout plans in these stores to align with our own; and rebranding the locations with the Dick's Sporting Goods name. We also closed four stores that "overlapped" as a result of the acquisition, and we identified six additional stores that we plan to close in the first half of 2005.

We made steady progress on all of these fronts, and as a result we were able to realize immediate efficiencies, making the acquisition nominally accretive to our earnings in fiscal 2004[1]. As we enter 2005, we are beginning to optimize the Galyan's distribution center by implementing our proven operational systems and techniques. We are also continuing to execute the conversion process, and we expect to complete all aspects of it by the end of the second quarter of 2005. Moreover, due in part to the acquisition, we expect to

realize an increase in our earnings per share of more than 25 percent in 2005.[1] This increase will be driven by a combination of factors, including greater efficiencies, better procurement costs, fewer markdowns due to tighter inventory control, and increased private-label sales at higher margins in the converted Galyan's stores, as well as continued organic growth.

In addition to the growth we generated through the acquisition, we continued to grow organically, opening 29 new locations during the year. These stores enabled us to penetrate nine new markets and to "fill in" markets where we already had a presence. We ended fiscal 2004 with a total of 234 stores in 33 states.

DISCIPLINED strategy

During the year, we drove continuous improvement in many areas of our business. This discipline enabled us to fuel organic growth, complete a significant acquisition and lay the foundation for future expansion.

Planning Ahead

Dick's success has always been predicated on planning ahead of our needs. In 2004, as we concentrated on pursuing our growth, we also took steps to support our increasing requirements and allow for future expansion. For example:

- We expanded our existing distribution center in Smithton, Pennsylvania by more than 50 percent, providing us with the capacity required to meet the demands of our growing store base.
- We introduced a highly scalable new merchandising system that will enable us to manage our current and long-term needs with greater effectiveness.
- We implemented a new inventory allocation system that will help us to speed merchandise to our selling floors and maintain our track record of industry-leading inventory turn and solid in-stock levels.
- We moved into a new corporate headquarters building, thereby centralizing our workforce and providing us with the space necessary to expand.

Executing Our Strategy

Dick's is founded on a great store concept – one that combines the best elements of a small, specialty store with those of a large-format retailer. We've created this concept by concentrating exclusively on authentic sporting goods, fitness and outdoor categories, as well as by maintaining a commitment to selling authentic merchandise. The concept of authenticity is crucial to our strategy, since it distinguishes our product assortment from mass merchants and helps reduce the volatility of our business. We uphold our commitment to authenticity by carrying performance-oriented products from leading national brands, such as Nike and Under Armour, as well as by offering high-quality merchandise under a number of exclusive private-label brands. Our private-label program creates a point of differentiation for Dick's, while also helping us to deliver customer satisfaction, with increased margins. We extend our commitment to authenticity beyond our merchandise by offering product testing areas, providing equipment maintenance and repair services, and staffing our stores with sales associates who are themselves sports enthusiasts. We enhance the value of our store concept by maintaining a steady in-stock position and promoting a strong service culture that makes shopping in our stores easy and convenient.

Together, these strategies have made Dick's Sporting Goods the clear leader in the sporting goods retailing sector. We enter 2005 excited about our future and anxious to serve our customers and provide you, our valued shareholders, with the consistent performance you have come to expect.

Edward W. Stack
Chairman and CEO

[1] Results exclude merger integration and store closing costs, gain on sale of investment, and loss on write-down of non-cash investment.

2004 highlights

2004

✓ Performance

- **Delivered record net income and earnings per share,** earning us the distinction as the most profitable publicly held full-line sporting goods retailer for the seventh consecutive year.[2] In addition, in the fourth quarter of 2004 we generated sales greater than any other full-line sporting goods retailer.
- **Generated return on invested capital of 12.1 percent.**
- **Posted a 36 percent increase in our stock price.**

✓ Growth

- **Acquired Galyan's Trading Company,** adding 48 stores in 21 states that positioned us in a number of key new markets and expanded our square footage at the time of the acquisition by nearly 50 percent. Also gained a 364,000 square-foot distribution center and more than 6,000 associates.
- **Opened 29 new locations,** which when combined with the stores from the Galyan's acquisition, enabled us to increase our store square footage by 71 percent and close the year with 234 locations in 33 states.
- **Drove a 43 percent increase in sales,** primarily as a result of acquiring 48 Galyan's stores, opening 29 new stores, and increasing our comparable store sales by 2.6 percent.

✓ Infrastructure

- **Paved the way for future growth** by introducing new merchandising and inventory allocation systems to manage our needs; and by moving into a new corporate headquarters building that centralized our associates and provided us with additional space to expand.
- **Expanded our existing distribution center** by more than 50 percent, to support continued growth.
- **Solidified our access to borrowed funds** by increasing our existing credit facility to $350 million and extending the term through May of 2008.

[2] As measured by income from continuing operations and adjusted for non-recurring items.

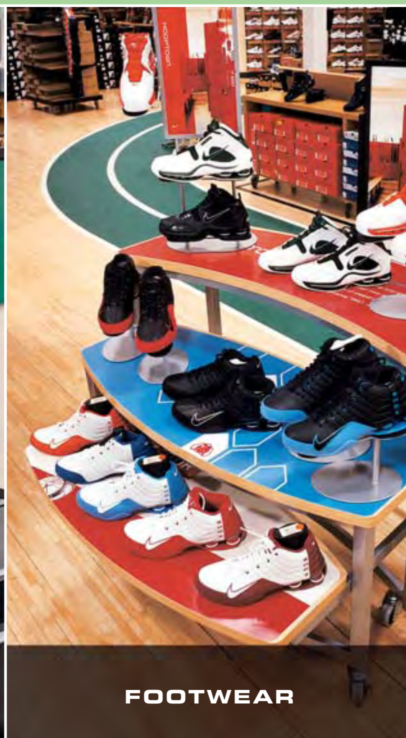
Complete specialty stores in every service-intensive location.

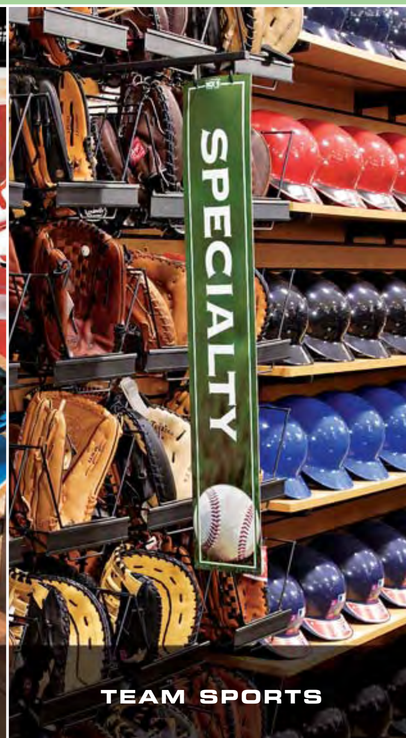
THE PRO SHOP

THE LODGE

UNIQUE shopping

At Dick's, we think that shopping for sporting goods should be uncomplicated and enjoyable. That's why we've devoted extraordinary effort to creating a customer-focused store concept – one that combines the intimacy, personal service and knowledge of a specialty store with the convenience, selection and solid in-stock position of a large-format retailer. We accomplish this by employing a "store-within-a-store" approach.





experience

Simply put, we divide our selling floors into distinct specialty stores, each of which is dedicated to a particular type of athletic pursuit – namely golf; outdoor activities, like hunting, fishing and camping; fitness and bikes; footwear; and team sports, such as baseball, soccer, football and basketball. We complement these specialty areas by offering a broad assortment of high-technology, branded athletic apparel for men, women and children.

Segmenting our merchandise is only part of our blueprint for success. We also work hard to make each of our specialty stores a true destination for sports and fitness enthusiasts. We achieve this by offering a broad selection of authentic merchandise that incorporates both the newest products and the latest technology; retaining highly knowledgeable sports enthusiasts to staff each specialty area; and providing a range of value-added services to help our customers test, evaluate and select the ideal products for their needs. All in all, it adds up to a specialty store experience in a full-line sporting goods retailer – a compelling combination that sets Dick's apart from our competitors and positions us to excel.

To help customers navigate our product assortment and make informed buying decisions, our Pro Shops have resident PGA pros on staff, and in fact we are among the largest employers of PGA pros in the nation, and the largest within the retail industry. We support our pros with teams of dedicated sales associates, many of whom are also avid golfers who can offer customers insightful product suggestions. We round it all out by offering in-store putting greens and driving ranges where customers can test potential purchases; providing club re-gripping and repair services; and creating a true Pro Shop environment complete with broadcasts of golf tournaments and educational programming.

the pro shop

Golf is a sport that sparks passion – one that inspires players from the beginner level through the enthusiast to devote extraordinary time and effort to developing and perfecting their game. In Dick's Pro Shop, we understand this depth of passion, because we share it. As a result, we've made our Pro Shops complete golf destination stores where golfers of all levels can get everything they need to progress, from expert assistance to the most technologically advanced products and apparel available.

A great game starts with the right equipment, and we stock a selection of high-performance merchandise from leading manufacturers, including Taylor Made, Titleist and Callaway. We complement this assortment with products from our exclusive Walter Hagen brand, which combines the latest advancements in technology with exceptional quality. We further differentiate our selection through our Acuity brand, which is known for both quality and value. And because we recognize that golf enthusiasts want immediate access to the most up-to-date innovations in equipment and apparel, we make it our business to be a leading marketer of newly released items.

THE NEW TITLEIST PRO V1

We provide a selection of convenient services that enable our customers to fulfill their sporting needs with one easy stop. These services range from mounting scopes on rifles, to cutting arrows, refilling CO^{2} tanks, and selling hunting and fishing licenses. We complete the package by offering in-store archery ranges in most locations where customers can test our products, as well as by broadcasting customer-centered programming, including live and taped outdoor sporting events.

the lodge

The great outdoors has an unbreakable hold on sportsmen – a hold that inspires a love for such rugged pursuits as hunting, fishing, canoeing, camping, hiking and archery to name just a few. The Sportsman's Lodge at Dick's is dedicated to outfitting our customers with the equipment they need to excel at these activities. That's why the Lodge offers an extensive product assortment of authentic merchandise that's carefully balanced to fulfill the needs of customers at any skill level.

In the Sportsman's Lodge, our sales team includes avid fishermen, hunters and campers who are highly knowledgeable about their respective sports and the local terrain, so they can offer our customers expert guidance on the best equipment for any need. We also sell authentic products that can enhance performance, from major brands such as Coleman, Shakespeare and Old Town Canoe and Kayak. We supplement these products with our private-label merchandise, which includes outdoor equipment, rugged outerwear, apparel and footwear marketed under the Northeast Outfitters, Quest and Field & Stream brands.

SHIMANO STRADIC SPINNING REEL

We make our selection easy to shop by employing an open merchandise layout that segments our products into a "good, better, best" format. We also utilize clear signage that enables customers to contrast and compare similar products, and to find the equipment they want quickly. We deliver great service by employing a specially trained sales force that includes certified fitness trainers and bike technicians in most locations. These professionals help our customers select the right products and take advantage of our in-store services, including home delivery and set-up of fitness equipment, and on-site bike repair.

fitness center

Fitness is an aggressively goal-driven pursuit that demands a desire for continuous improvement and a strong work ethic. In Dick's Fitness area, we think our customers deserve to see these same qualities exemplified on our selling floors, and we work hard to make sure they do. In the process, we fulfill the needs of all types of fitness enthusiasts – from weight trainers, runners and cyclists, to devotees of aerobics and Pilates.

We maintain a disciplined approach to merchandising that ensures our stores carry authentic products from manufacturers that our customers know and trust, such as Horizon, Bowflex and Everlast. We also feature our own high-performance fitness equipment, marketed under the Fitness Gear and Ativa brand names. Each of our Fitness stores also features a dedicated Cycle shop that offers a range of well-known brands, such as Diamondback, Schwinn, GT and DBX, Dick's own line of bicycles and outdoor extreme sports equipment.

EXCLUSIVE
HORIZON CST TREADMILL

FOOTWEAR

Our Footwear area extends Dick's commitment to authenticity beyond simply carrying first-rate merchandise. We also utilize distinct signage to highlight the practical advantages of key products; offer an in-store track for testing potential purchases; and create an appealing atmosphere by broadcasting sports programs.

footwear

In any athletic activity, excellent equipment can be a prerequisite for excellent performance. This correlation is especially evident in footwear, where manufacturers continuously employ leading-edge technology to develop performance-enhancing shoes customized for every sport and athletic pursuit. In Dick's Footwear area, we recognize that getting immediate access to the latest advances is crucial to our customers. That's why we stock an assortment of in-demand products in a broad range of sizes and offer a guaranteed in-stock program.

We offer our customers the benefit of our strong relationships with the nation's leading footwear manufacturers, including Nike, adidas and New Balance. We leverage these relationships to offer special in-store promotions. Our vendor relationships also enable us to maintain an excellent in-stock position so our customers can get the products they want in the sizes they need. We expedite product availability through our logistics system, which relies on centralized distribution to ensure our stores have new products as soon as they're available. We also utilize a state-of-the-art merchandise allocation system to balance our assortment in all of our locations; and we employ an inventory management system to ensure stock levels remain strong, and merchandise is replenished.

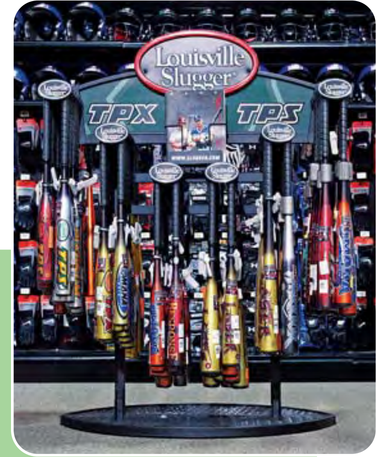
EXCLUSIVE INTERACTIVE
NIKE PERFORMANCE ZONE

NIKE SHOX

TEAM SPORTS

At Dick’s, we recognize that equipment for Team Sports is often purchased by parents and coaches but used by children – a fact that makes our ability to provide informed product guidance especially important. We meet this need by employing a “good, better, best” merchandising strategy that enables customers to make quick product comparisons. We also provide our associates with proprietary in-store training to ensure they understand our merchandise and uphold our deep commitment to service. And we reinforce that commitment by offering a range of in-store resources, like sharpening ice skates and stringing tennis rackets, as well as by rewarding repeat customers through our ScoreCard loyalty program.

team sports



Team sports are an American institution. They introduce children to the world of competition, build both character and strength, and teach players of all ages that teamwork is often the most effective way to reach a goal. The Team Sports area at Dick's also underscores the importance of teamwork, with our entire workforce – from our regional managers, to our buyers, to our sales associates – combining their resources to create the ideal shopping environment for our customers.

Our Team Sports area offers an exceptional selection of equipment and apparel for every major team sport. Our merchandise assortment includes national name brands that our customers associate with excellence, such as Nike, adidas, Mizuno and Wilson, as well as Dick's own private-label brands, like our Power Bolt product line, which provides quality and value.

EXCLUSIVE LIFETIME ELITE BASKETBALL SYSTEM

WILSON A3000

Dick's selection of Under Armour apparel includes several innovative product lines – like HeatGear, ColdGear and TurfGear – that were developed to help athletes optimize their performance in a range of different terrains and weather conditions. Our Nike merchandise includes garments from their innovative Pro line, as well as from their Sphere line, which uses fabrics to help athletes regulate their body temperatures and maintain optimum comfort.

NIKE PRO

NIKE YOUTH

athletic apparel

Athletic apparel is a dynamic product category, defined by frequent introductions of next-generation fabrics and materials that can provide athletes and sportsmen increased comfort, performance and safety. Dick's Athletic Apparel area offers a range of specialty clothing designed to enable men, women and children to look, feel and perform their best.

Dick's commitment to carrying authentic merchandise means our Athletic Apparel area is a place where customers can find products built for much more than just good looks. We insist on carrying the latest innovations in sports apparel, including products that incorporate advancements in both science and sports technology. Our Athletic Apparel area features an extensive product assortment that encompasses premier brands, such as Nike and Under Armour, along with our own private-label brands, which combine exclusive fabrics, components and technologies.

NIKE SPHERE

UNDER ARMOUR PERFORMANCE APPAREL

moving ahead

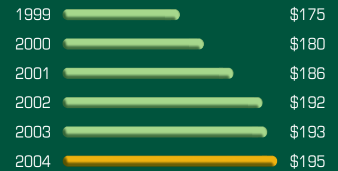
Dick's Sporting Goods enters fiscal 2005 in a position of strength. We have a compelling store concept, a dedicated associate team, and a comprehensive selection of national and private brands. In addition, we have a corporate culture that is founded on discipline and focused on performance. Together, these strengths have been the basis for our success to date, allowing us to grow from a small, privately owned bait-and-tackle store to a best-in-class retail leader.

As we move ahead, we will continue to draw on these strengths to set Dick's apart from our competition, and to build our Company in a disciplined and rational fashion. In the coming year, we plan to expand our store base by at least 25 new locations, which will introduce us into new markets and increase our penetration of existing markets. We will complete our conversion of Galyan's, focusing on driving our financial performance by realizing efficiencies in several areas, including procurement, logistics and marketing. We expect that these initiatives will position us to achieve our long-term annual growth target, an increase in earnings per share of approximately 20 percent.

As we pursue these goals, we will also remain focused on upholding the tenets of our store concept and on delivering great service to our customers. In short, we will continue to execute the same strategies with the same discipline that we always have – and in the process, we intend to reward our valued shareholders with consistent financial performance.

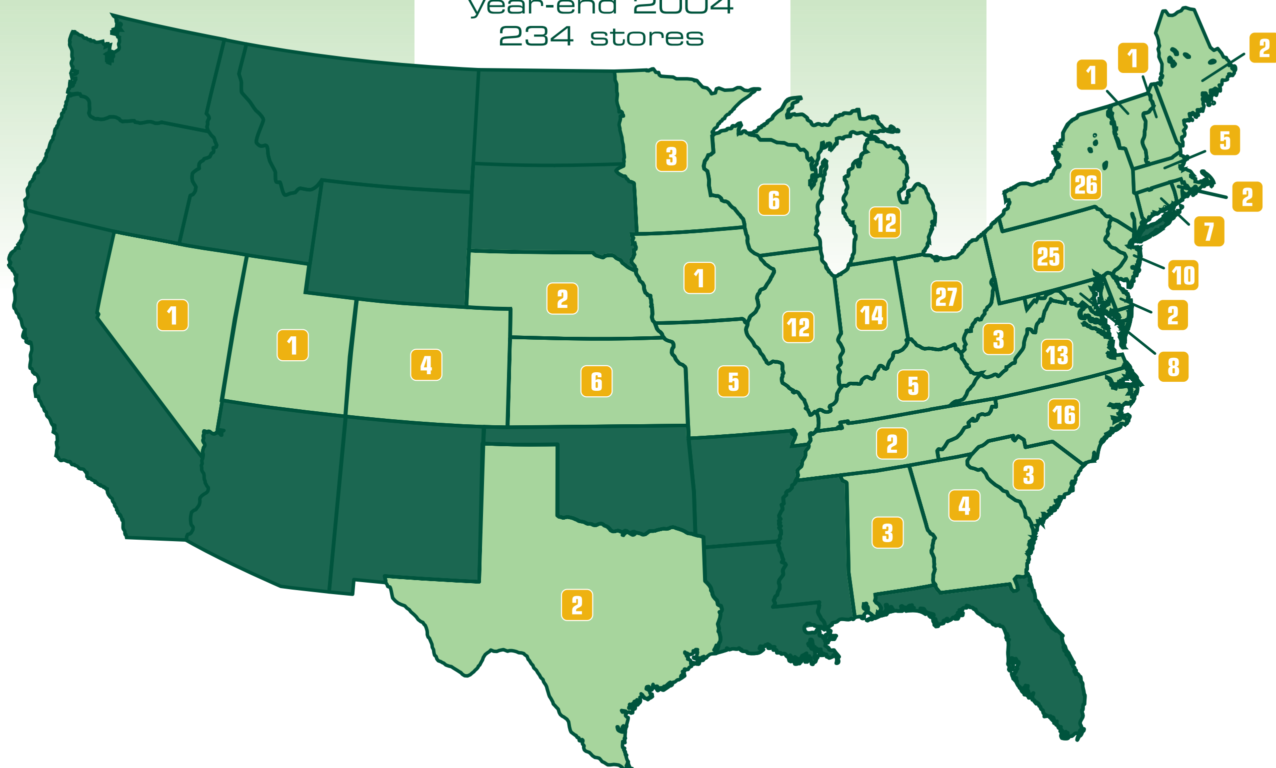
store growth

net sales (per sq. ft.)



inventory turnover

gross profit margins



2004 financial report

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five-year financial summary

Fiscal Year	2004	2003	2002	2001	2000
(Dollars in thousands, except per share and sales per square foot data)					
Statement of Income Data:					
Net sales	$ 2,109,399	$ 1,470,845	$ 1,272,584	$ 1,074,568	$ 893,396
Gross profit	586,526	408,025	337,628	263,767	209,012
Selling, general and administrative expenses	443,776	314,885	262,755	213,065	169,392
Pre-opening expenses	11,545	7,499	6,000	5,726	6,466
Merger integration and store closing costs	20,336	–	–	–	–
(Gain) on sale / loss on write-down of non-cash investment[1, 2]	(10,981)	(3,536)	2,447	–	–
Other income	(1,000)	–	–	–	–
Income from continuing operations before income taxes	114,841	87,346	63,562	38,735	26,191
Income from continuing operations	68,905	52,408	38,137	23,241	15,715
Discontinued operations[3]	–	–	–	–	7,304
Net income	68,905	52,408	38,137	23,241	8,411
Accretion of mandatorily redeemable preferred stock[4]	–	–	–	–	(5,654)
Net income applicable to common stockholders	$ 68,905	$ 52,408	$ 38,137	$ 23,241	$ 2,757
Earnings Per Common Share Data[5]:					
Net income applicable to common stockholders	$ 1.30	$ 1.04	$ 0.93	$ 0.65	$ 0.22
Diluted weighted average shares outstanding *(In thousands)*:	52,921	50,280	40,958	35,736	37,004
Store Data:					
Comparable store net sales increase	2.6%	2.1%	5.1%	3.6%	3.0%
Number of stores at end of period	234	163	141	125	105
Total square feet at end of period	13,514,869	7,919,138	6,807,021	6,149,044	5,303,124
Net sales per square foot	$ 195	$ 193	$ 192	$ 186	$ 180
Other Data:					
Gross profit margin	27.8%	27.7%	26.5%	24.6%	23.4%
Selling, general and administrative percentage of net sales	21.0%	21.4%	20.7%	19.8%	19.0%
Operating margin	5.3%	5.8%	5.4%	4.2%	3.7%
Inventory turnover	3.56x	3.69x	3.83x	3.74x	3.92x
Depreciation and amortization	$ 37,621	$ 17,554	$ 14,420	$ 12,082	$ 9,425
Balance Sheet Data:					
Inventories	$ 457,618	$ 254,360	$ 233,497	$ 201,585	$ 163,149
Total assets	$ 1,085,048	$ 543,360	$ 413,529	$ 365,517	$ 299,218
Total debt including capital lease obligations	$ 258,004	$ 3,916	$ 3,577	$ 80,861	$ 73,647
Retained earnings (accumulated deficit) – including accretion of redeemable preferred stock[6]	$ 129,862	$ 60,957	$ 8,549	$ (29,588)	$ (52,829)
Total stockholders' equity[7]	$ 313,667	$ 240,894	$ 138,823	$ 61,556	$ 37,423

[1] Gain on sale of investment resulted from the sale of a portion of the Company's non-cash investment in its third-party Internet commerce service provider. We converted a royalty arrangement with that provider into an equity investment that resulted in this non-cash investment.

[2] The loss on write-down of non-cash investment resulted from a write-down of the investment in our third-party Internet commerce service provider due to a decline in the value of that company's publicly traded stock.

[3] Discontinued operations resulted from our former Internet commerce business.

[4] Represents accretion of the redeemable preferred stock to its redemption value through a charge to accumulated deficit.

[5] Earnings per share data gives effect to the two-for-one stock split, in the form of a stock dividend which became effective on April 5, 2004.

[6] Includes $63.9 million of accretion of the redeemable preferred stock to its redemption value through a charge to accumulated deficit. In 2000, we repurchased approximately 60% of the shares of common stock from the former preferred stockholders for cash and promissory notes. The notes were repaid in September 2001.

[7] The mandatorily redeemable preferred stock was not classified within stockholders' equity because of the redemption feature.

The following discussion and analysis should be read in conjunction with "Selected Consolidated Financial and Other Data" and our consolidated financial statements and related notes appearing elsewhere in this report. This Annual Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. See page 32, "Forward-Looking Statements."

Overview

The Company is an authentic full-line sporting goods retailer offering a broad assortment of brand-name sporting goods equipment, apparel and footwear in a specialty store environment. On July 29, 2004, a wholly owned subsidiary of Dick's Sporting Goods, Inc. completed the acquisition of Galyan's Trading Company, Inc. The Consolidated Statements of Income for the year ended January 29, 2005 reflect the results of Dick's Sporting Goods on a stand-alone basis from February 1, 2004 to July 28, 2004 and the combined company from the acquisition date of July 29, 2004 to January 29, 2005. Prior year results include Dick's Sporting Goods, Inc. on a stand-alone basis.

As of January 29, 2005, the Company operated 234 stores in 33 states, the majority of which are located throughout the eastern half of the United States. On February 10, 2004, the Company's board of directors approved a two-for-one stock split of the Company's common stock and Class B common stock in the form of a stock dividend. The split was affected by issuing our stockholders of record as of March 19, 2004 one additional share of common stock for every share of common stock held, and one additional share of Class B common stock for every share of Class B common stock held. The applicable share and per-share data for periods prior to fiscal 2004 included herein have been restated to give effect to this stock split.

Executive Summary

The Company reported net income for the year ended January 29, 2005 of $68.9 million or $1.30 per diluted share as compared to net income of $52.4 million and earnings per diluted share of $1.04 in 2003. The increase in earnings was attributable to an increase in sales as a result of a 2.6% increase in comparable store sales, new store sales and sales from the Galyan's stores that were acquired on July 29, 2004, a decrease in selling, general and administrative expenses as a percentage of sales and gain on sale of investment partially offset by merger integration and store closing costs associated with the acquisition of Galyan's of $12.2 million, after tax.

Net sales increased 43%, or $638.6 million, to $2,109.4 million from $1,470.8 million in 2003. This increase resulted primarily from a comparable store sales increase of 2.6%, or $31.9 million, and $606.7 million from the net addition of new Dick's stores in the last five quarters which are not included in the comparable store base, and the acquired Galyan's stores which will not be included in the comparable store base until 13 months after the completion of the re-branding and re-merchandising effort expected to occur by the end of the first half of 2005.

Income from operations increased 30%, or $25.3 million, to $110.9 million from $85.6 million in 2003 due primarily to increased sales partially offset by $20.3 million of merger integration and store closing costs, an increase in selling, general and administrative costs and an increase in pre-opening expenses.

As a percentage of net sales, gross profit increased to 27.8% in 2004 from 27.7% in 2003. The gross profit percentage increased primarily due to improved selling margins in the majority of the Company's product categories partially offset by lower selling margins in the Galyan's stores due to the liquidation of non-go-forward product, and higher Galyan's occupancy costs as a percentage of sales.

During the year, we leveraged selling, general and administrative expenses by 37 basis points. The decrease as a percentage of sales was due primarily to decreased advertising, decreased corporate payroll expense due to the synergies obtained from the acquisition of Galyan's and last year containing higher information systems costs.

The operations of Galyan's are included from the July 29, 2004 acquisition date. As of January 29, 2005, we have converted the point-of-sale systems in the stores, re-signed the stores, converted the warehouse management system in the former Galyan's distribution center and converted all activity onto Dick's systems. We have also made progress on re-merchandising stores to place more of an emphasis on sporting goods. See "Outlook" below.

We ended the year with $76.1 million of outstanding borrowings on our line of credit as compared to no borrowings at January 31, 2004. The increase was due to using the line to fund a portion of the acquisition of Galyan's. Excess borrowing availability totaled $184.1 million as of January 29, 2005.

Results of Operations

The following table presents for the periods indicated selected items in the consolidated statements of income as a percentage of the Company's net sales:

Fiscal Year	**2004**[1]	2003[1]	2002[1]
Net sales[2]	100.0%	100.0%	100.0%
Cost of goods sold, including occupancy and distribution costs[3]	72.2	72.3	73.5
Gross profit	27.8	27.7	26.5
Selling, general and administrative expenses[4]	21.0	21.4	20.7
Pre-opening expenses[5]	0.5	0.5	0.5
Merger integration and store closing costs[6]	1.0	0.0	0.0
Income from operations	5.3	5.8	5.4
(Gain) on sale / loss on write-down of non-cash investment[7]	(0.5)	(0.2)	0.2
Interest expense, net	0.4	0.1	0.2
Other income	0.0	0.0	0.0
Income before income taxes	5.4	5.9	5.0
Provision for income taxes	2.2	2.4	2.0
Net income	**3.3%**	**3.6%**	**3.0%**

[1] Column does not add due to rounding.

[2] Revenue from retail sales is recognized at the point-of-sale. Revenue from cash received for gift cards is deferred, and the revenue is recognized upon the redemption of the gift card. Sales are recorded net of estimated returns. Revenue from layaway sales is recognized upon receipt of final payment from the customer.

[3] Cost of goods sold includes the cost of merchandise, inventory shrinkage, freight, distribution and store occupancy costs. Store occupancy costs include rent, common area maintenance charges, real estate and other asset based taxes, store maintenance, utilities, depreciation, fixture lease expenses and certain insurance expenses.

[4] Selling, general and administrative expenses include store and field support payroll and fringe benefits, advertising, bank card charges, information systems, marketing, legal, accounting, other store expenses and all expenses associated with operating the Company's corporate headquarters.

[5] Pre-opening expenses consist primarily of rent, marketing, payroll and recruiting costs incurred prior to a new store opening.

[6] Merger integration and store closing costs all pertain to the Galyan's acquisition and include the expense of closing Dick's stores in overlapping markets, advertising the re-branding of Galyan's stores, duplicative administrative costs, recruiting and system conversion costs.

[7] Gain on sale of investment resulted from the sale of a portion of the Company's non-cash investment in its third-party internet commerce provider.

Fiscal 2004 Compared to Fiscal 2003

Net Income Our net income increased by $16.5 million to $68.9 million from $52.4 million in 2003. This represented an increase in diluted earnings per share of $0.26 to $1.30 from $1.04. The increase was due primarily to higher sales, a decrease in selling, general and administrative expenses as a percentage of sales and gain on sale of investment partially offset by merger integration and store closing costs associated with the acquisition of Galyan's.

Net Sales Net sales increased by $638.6 million, or 43%, to $2,109.4 million from $1,470.8 million in 2003. This increase resulted primarily from a comparable store sales increase of 2.6%, or $31.9 million, and $606.7 million from the net addition of new Dick's stores in the last five quarters which are not included in the comparable store base, and the acquired Galyan's stores which will not be included in the comparable store base until 13 months after the completion of the re-branding and re-merchandising effort expected to occur by the end of the first half of 2005.

The increase in comparable store sales is mostly attributable to sales increases in men's, women's and kid's apparel, men's, women's and kid's footwear, golf, licensed product and bikes, partly offset by lower sales of boots, in-line skates and hunting.

Private Label Sales For the year ended January 29, 2005, private label product sales (excluding Galyan's private label brands), represented 7.9% of sales, an increase from last year's 7.1% of proforma sales. These private label sales are for the merchandise developed by Dick's, and do not include any remaining private label products developed by Galyan's.

Store Count During 2004, we opened 29 stores, relocated three stores, acquired 48 Galyan's stores, closed three Dick's stores and closed three Galyan's stores, resulting in an ending store count of 234 stores in 33 states. Two of the Dick's store closures were not related to the Galyan's acquisition. One was closed as its replacement was opened in 2003, and the second was closed due to poor performance.

Income from Operations Income from operations increased 30%, or $25.3 million, to $110.9 million from $85.6 million in 2003 due primarily to increased sales partially offset by $20.3 million of merger integration and store closing costs, an increase in selling, general and administrative costs and an increase in pre-opening expenses.

Gross Profit Gross profit increased by $178.5 million, or 44%, to $586.5 million from $408.0 million in 2003. As a percentage of net sales, gross profit increased to 27.8% in 2004 from 27.7% in 2003. The gross profit percentage increased primarily due to improved selling margins in the majority of the Company's product categories, a larger portion of cooperative advertising funds classified as a reduction of cost of goods sold as opposed to a reduction of advertising expense (20 basis points), partially offset by lower selling margins in the Galyan's stores due to the liquidation of non-go-forward product, and higher occupancy costs as a percentage of sales (52 basis points).

Selling, General and Administrative Expenses Selling, general and administrative expenses increased by $128.9 million to $443.8 million from $314.9 million in 2003 due primarily to an increase in store count and continued investment in corporate and store infrastructure.

As a percentage of net sales, selling, general and administrative expenses decreased from 21.4% in 2003 to 21.0% in 2004. The decrease as a percentage of sales was due primarily to decreased advertising expense (27 basis points), decreased corporate payroll expense due to the synergies obtained from the acquisition of Galyan's (13 basis points) and last year containing higher information systems costs (14 basis points). These decreases were partially offset by the classification of a larger portion of cooperative advertising funds as a reduction of cost of goods sold as discussed above (20 basis points).

Merger Integration and Store Closing Costs Merger integration and store closing costs associated with the purchase of Galyan's were $20.3 million or 1.0% of sales in 2004. These costs consisted primarily of $7.9 million of expenses related to the Dick's stores that are closing; $5.2 million of duplicative administrative costs; $1.9 million of costs incurred during the four-day closing of all Galyan's stores; and $5.3 million of other costs comprised primarily of system conversion costs, advertising and relocation costs.

Pre-opening Expenses Pre-opening expenses increased by $4.0 million to $11.5 million from $7.5 million in 2003. Pre-opening expenses were for the opening of 29 new stores and relocation of three stores in 2004 compared to the opening of 22 new stores and relocation of one store in 2003.

Gain on Sale of Investment Gain on sale of investment was $11.0 million in 2004 as compared to $3.5 million in 2003. The gain resulted from the sale of a portion of the Company's non-cash investment in its third-party internet commerce provider.

Interest Expense, Net Interest expense, net, increased by $6.2 million to $8.0 million from $1.8 million in 2003 due primarily to interest expense on our amended credit facility associated with the Galyan's acquisition and senior convertible notes offset by interest income of $1.2 million from our investments in marketable securities and held-to-maturity investments which were sold in 2004.

Other Income Other income in 2004 included a $1.0 million break-up fee related to our unsuccessful effort to acquire the assets of a bankrupt retailer.

Fiscal 2003 Compared to Fiscal 2002

Net Income Our net income increased by $14.3 million, or 37.5%, to $52.4 million from $38.1 million in 2002. This represented an increase in diluted earnings per share of $0.11, or 12%, to $1.04 from $0.93 in 2002.

Net Sales Net sales increased by $198.2 million, or 16%, to $1,470.8 million from $1,272.6 million in 2002. This increase resulted from a comparable store sales increase of $24.2 million, or 2.1%, and $174.0 million in new store sales, which reflected the opening of 22 new stores and relocation of one store in 2003 compared to the opening of 16 new stores and relocation of three stores in 2002.

The increase in comparable store sales is mostly attributable to sales increases in the majority of the Company's merchandise categories, with team sports, women's apparel, water sports, paintball and licensed apparel recording the largest increases. These increases were partly offset by lower sales of in-line skates, hunting equipment and fishing tackle.

Income from Operations Income from operations increased by $16.7 million, or 24.2%, to $85.6 million from $68.9 million in 2002. The increase in income from operations is primarily a result of increased gross profit partially offset by an increase in selling, general and administrative expenses and pre-opening expenses.

Gross Profit Gross profit increased by $70.4 million, or 20.9%, to $408.0 million from $337.6 million in 2002. As a percentage of net sales, gross profit increased to 27.7% from 26.5% in 2002. The increase in gross profit percentage was primarily due to improved selling margins in the majority of the Company's product categories, including private label products that provide us with higher gross margins than comparable products we sell. The gross profit percentage was also favorably impacted by the classification of a larger portion of cooperative advertising funds as a reduction of cost of goods sold, as fewer of these funds were directly tied to advertising expenditures in 2003 as compared to 2002. In addition, the gross profit percentage improved due to improved productivity at the Company's distribution center.

Selling, General and Administrative Expenses Selling, general and administrative expenses increased by $52.1 million to $314.9 million from $262.8 million in 2002.

As a percentage of net sales, selling, general and administrative expenses increased to 21.4% from 20.7% in 2002. The percentage increase was due to the classification of a larger portion of cooperative advertising funds as a reduction of cost of goods sold (as discussed above), higher employee benefits costs, higher associate relocation expense, additional professional and insurance expenses associated with being a public company for all of 2003 as compared to approximately one quarter in 2002 and higher information systems costs associated with the implementation of the new merchandising systems, partially offset by lower incentive compensation expense.

Pre-opening Expenses Pre-opening expenses increased by $1.5 million to $7.5 million from $6.0 million in 2002. Pre-opening expenses were for the addition of 22 new stores and one relocation compared to 16 new stores and three relocations in 2002.

(Gain) on Sale / Loss on Write-Down of Non-Cash Investment Gain on sale of investment of $3.5 million resulted from the sale of a portion of the Company's non-cash investment in its third-party Internet commerce service provider. Loss on write-down of non-cash investment resulted from a $2.4 million write-down in 2002 of the non-cash investment in the Company's third-party Internet commerce service provider due to a decline in the value of that company's publicly traded stock. In July 2001, the Company had converted a cash-based royalty arrangement with that provider into an equity investment in that company which resulted in this non-cash investment.

Interest Expense, Net Interest expense decreased by $1.1 million to $1.8 million from $2.9 million in 2002 primarily due to lower interest rates and lower average borrowings on the Company's senior secured revolving credit facility.

Liquidity and Capital Resources

Our primary capital requirements are for inventory, capital improvements, and pre-opening expenses to support expansion plans, as well as for various investments in store remodeling, store fixtures and ongoing infrastructure improvements. The Company's main sources of liquidity in 2004 have been our cash flows from operations; borrowings under the senior secured revolving credit facility; net proceeds from the issuance of the convertible notes; and proceeds from sale-leaseback transactions.

The change in cash and cash equivalents is as follows:

Fiscal Year Ended	January 29, 2005	January 31, 2004	February 1, 2003
Net cash provided by operating activities	$ 107,841	$ 99,214	$ 65,685
Net cash used in investing activities	(414,772)	(46,109)	(27,131)
Net cash provided by (used in) financing activities	232,143	29,449	(36,410)
Net (decrease) increase in cash and cash equivalents	**$ (74,788)**	**$ 82,554**	**$ 2,144**

Operating Activities

Cash provided by operating activities increased by $8.6 million in 2004 to $107.8 million, reflecting higher net income of $16.5 million and an increase in adjustments to net income of $8.6 million, partially offset by a decrease in the change in assets and liabilities of $16.5 million.

Adjustments to Net Income Depreciation expense increased $20.1 million in 2004 due primarily to including Galyan's operations from the acquisition date of July 29, 2004 to January 29, 2005.

Tax benefit from the exercise of stock options decreased by $14.0 million. As options granted under the Company's stock plans are exercised, the Company will continue to receive a tax deduction; however, the amounts and the timing cannot be predicted.

Changes in Assets and Liabilities The primary factors contributing to the decrease in the change in assets and liabilities were the change in inventory along with a decrease in the change in accrued expenses, partially offset by a change in deferred revenue and other liabilities primarily due to an increase in construction allowances along with the change in accounts payable and income taxes payable.

The increase in the change in inventory was primarily due to an increase in in-transit inventory compared to last year. The decrease in the change in accrued expenses was primarily related to a decrease in Galyan's accrued expenses from the acquisition date to the end of the year partially offset by an increase in accrued property and equipment. The change in accounts payable was primarily due to an increase in the change in in-transit inventory. The change in income taxes payable was primarily related to the decrease in the tax benefit from the exercise of stock options and changes in deferred taxes.

The cash flows from operating the Company's stores are a significant source of liquidity, and will continue to be used in 2005 primarily to purchase inventory, make capital improvements and open new stores. All of the Company's revenues are realized at the point-of-sale in the stores.

Investing Activities

Cash used in investing activities increased by $368.7 million in 2004 to $414.8 million due primarily to the payment for the purchase of Galyan's of $351.6 million, net of $17.9 million cash acquired. Net capital expenditures increased $16.9 million as proceeds from sale-leaseback transactions increased $21.0 million while capital expenditures increased $37.9 million. We use cash in investing activities to build new stores and remodel or relocate existing stores. Furthermore, net cash used in investing activities includes purchases of information technology assets and expenditures for distribution facilities and corporate headquarters. The following table presents the major categories of capital expenditure activities:

Fiscal Year Ended	January 29, 2005	January 31, 2004
New, relocated and remodeled stores	$ 72,542	$ 43,753
Future stores	1,402	6,922
Existing stores	5,719	6,642
Information systems	12,400	8,860
Administration and distribution	12,881	887
	$ 104,944	**$ 67,064**

During 2004, we opened 29 stores, relocated three stores, acquired 48 Galyan's stores, closed three Dick's stores and closed three Galyan's stores, resulting in an ending store count of 234 stores in 33 states. Two of the Dick's store closures were not related to the Galyan's acquisition. One was closed as its replacement was opened in 2003, and the second was closed due to poor performance.

Sale-leaseback transactions covering store fixtures, buildings and information technology assets also have the effect of returning to the Company cash previously invested in these assets. During 2004, we completed four building sale-leaseback transactions that generated proceeds of $21.7 million, of which $15.2 million of the capital expenditures were incurred in 2003. The increase in new, relocated and remodeled stores is primarily due to an increase in construction allowances and conversion of the Galyan's stores to Dick's stores. The increase in information systems capital expenditures is primarily related to the implementation of the new merchandising system. The increase in administration and distribution capital expenditures is primarily related to the new corporate headquarters that opened during June of 2004 and the conversion of the Plainfield distribution center.

The Company also generated $12.0 million in proceeds from the sale of a portion of the Company's non-cash investment in its third-party Internet commerce service provider during 2004 as compared to $4.2 million in proceeds during 2003.

In accordance with Emerging Issues Task Force No. 97-10 ("Issue 97-10"), "The Effect of Lessee Involvement in Asset Construction," the Company is considered to be the owner of certain buildings during the construction period, for accounting purposes only. Accordingly, the Company has recognized a non-cash asset and related non-cash obligation of $15.2 million and $10.9 million as of January 29, 2005 and January 31, 2004, respectively. At the conclusion of the construction period, the asset and related liability will be removed from the balance sheet in a manner similar to a sale-leaseback transaction if certain conditions are met. The application of Issue 97-10 has no impact to cash balances, net cash flow, the statement of operations or cash obligations.

Financing Activities

Cash provided by financing activities increased by $202.7 million to $232.1 million primarily reflecting the net proceeds from the senior convertible notes and the increase in the change in the balance under the Revolving Credit Agreement. Financing activities consisted primarily of the borrowings to finance the purchase of Galyan's, the issuance of the senior convertible notes, borrowings and repayments under the Credit Agreement and proceeds received of $8.3 million and $15.9 million from the exercise of employee stock options and purchases of common stock under the employee stock purchase plan in 2004 and 2003, respectively.

On February 18, 2004, the Company completed a private offering of $172.5 million issue price of convertible notes due 2024 in transactions pursuant to Rule 144A under the Securities Act of 1933, as amended. Net proceeds to the Company of $145.6 million are after the net cost of a convertible bond hedge and a separate warrant transaction as well as $6.2 million of transaction costs associated with the offering. The bond hedge and warrant transactions effectively increase the conversion price associated with the senior convertible notes during the term of these transactions from 40% to 100%, or from $39.31 to $56.16 per share, thereby reducing the potential economic dilutive effect to shareholders upon conversion.

On July 29, 2004, Dick's Sporting Goods paid $351.6 million, net of cash acquired of $17.9 million, to fund and consummate the Galyan's tender offer and the acquisition, including the repayment of $57.2 million of Galyan's indebtedness. The Company obtained approximately $193 million of these funds from cash and cash equivalents and investments and the balance from the borrowings under its Credit Agreement.

The Company's liquidity and capital needs have generally been met by cash from operating activities, the proceeds from the convertible notes and borrowings under the Credit Agreement. On July 28, 2004, the Company amended its Credit Agreement, among other matters, increasing it from $180 million to $350 million, including up to $75 million in the form of letters of credit. Borrowing availability under the Credit Agreement is generally limited to the lesser of 70% of the Company's eligible inventory or 85% of the Company's inventory's liquidation value, in each case net of specified reserves and less any letters of credit outstanding. Interest on outstanding indebtedness under the Credit Agreement currently accrues, at the Company's option, at a rate based on either (i) the prime corporate lending rate or (ii) the LIBOR rate plus 1.25% to 1.75% based on the level of total borrowings during the prior three months. The Credit Agreement's term was extended to May 30, 2008. The Company has used the senior secured revolving credit facility to meet seasonal working capital requirements and to support the Company's growth.

Borrowings under the Credit Agreement were $76.1 million as of January 29, 2005. There were no outstanding borrowings under the Credit Agreement as of January 31, 2004. Total remaining borrowing capacity, after subtracting letters of credit as of January 29, 2005 and January 31, 2004 was $184.1 million and $154.3 million, respectively.

The Credit Agreement contains restrictions regarding the Company's and related subsidiary's ability, among other things, to merge, consolidate or acquire non-subsidiary entities, to incur certain specified types of indebtedness or liens in excess of certain specified amounts, to pay dividends or make distributions on the Company's stock, to make certain investments or loans to other parties, or to engage in lending, borrowing or other commercial transactions with subsidiaries, affiliates or employees. Under the Credit Agreement, the Company may be obligated to maintain a fixed charge coverage ratio of not less than 1.0 to 1.0 in certain circumstances. The obligations of the Company under the Credit Agreement are secured by interests in substantially all of the Company's personal property excluding store and distribution center equipment and fixtures. As of January 29, 2005, the Company was in compliance with the terms of the Credit Agreement.

Cash requirements in 2005, other than normal operating expenses, are expected to consist primarily of capital expenditures related to the addition of new stores, enhanced information technology and improved distribution infrastructure. The Company plans to open at least 25 new stores during 2005. The Company also anticipates incurring additional expenditures for remodeling or relocating certain existing stores. While there can be no assurance that current expectations will be realized, the Company expects net capital expenditures in 2005 to be approximately $75 million.

The Company believes that cash flows generated from operations and funds available under our credit facility will be sufficient to satisfy our capital requirements through fiscal 2005. Other new business opportunities or store expansion rates substantially in excess of those presently planned may require additional funding.

Off-Balance Sheet Arrangements

The Company's only off-balance sheet contractual obligations and commercial commitments as of January 29, 2005 relate to operating lease obligations and letters of credit. The Company has excluded these items from the balance sheet in accordance with generally accepted accounting principles.

Contractual Obligations and Other Commercial Commitments

The following table summarizes the Company's material contractual obligations, including both on- and off-balance sheet arrangements in effect at January 29, 2005, and the timing and effect that such commitments are expected to have on the Company's liquidity and capital requirements in future periods:

Payments Due by Period	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
(Dollars in thousands)					
Contractual obligations:					
Senior convertible notes	$ 172,500	$ –	$ –	$ –	$ 172,500
Revolving credit borrowings	76,094	–	–	76,094	–
Capital lease obligations	8,427	445	279	330	7,373
Other long-term debt	983	190	130	97	566
Operating lease obligations	2,497,899	185,831	383,099	373,708	1,555,261
Total contractual obligations	**$ 2,755,903**	**$ 186,466**	**$ 383,508**	**$ 450,229**	**$ 1,735,700**

The following table summarizes the Company's other commercial commitments, including both on- and off-balance sheet arrangements, in effect at January 29, 2005:

	Total	Less Than 1 Year
(Dollars in thousands)		
Other commercial commitments:		
Documentary letters of credit	$ 4,912	$ 4,912
Standby letters of credit	12,170	12,170
Total other commercial commitments	**$ 17,082**	**$ 17,082**

The Company expects to fund these commitments primarily with operating cash flows generated in the normal course of business.

Outlook

Galyan's Conversion Due to the Galyan's acquisition, additional risk and uncertainties arise that could affect our financial performance and actual results and could cause actual results for fiscal 2005 and beyond to differ materially from those expressed or implied in any forward-looking statements included in this report or otherwise made by our management. These risks include those associated with combining businesses and achieving expected savings and synergies (including annualized cost savings and merchandise buying improvements) and/or with assimilating acquired companies and the fact that merger integration and store closing costs related to the Galyan's acquisition are difficult to predict with a level of certainty and may be greater than expected. Additionally, there are various risks and uncertainties attributable to Galyan's, many of which cannot be predicted, which could have a material affect on our business or operations.

Since the first part of February 2005, we have completed the systems conversion and all of our stores are now on the same systems. From merchandising to allocations to the point-of-sale to warehouse management, we have eliminated duplicate systems and are now operating on a common platform. We have re-signed all of the Galyan's stores as Dick's stores in order to leverage the advertising spending in the markets where both Dick's and Galyan's operate stores, and we have also reset the interior of the former Galyan's stores to optimize the space for the Dick's merchandise assortment. The reassortment initiative is well under way and is being done in conjunction with the arrival of spring 2005 receipts. As of the end of February 2005, all administrative functions and processes were run solely out of the Dick's corporate headquarters as the former Galyan's headquarters building has been closed.

Overall, our plan is on track to complete the conversion by the end of the second quarter of fiscal 2005. We will continue to modify the interior of the stores and effect changes to the merchandise assortment. When this initiative is complete, we expect to be operating these stores not only under the Dick's name, but also with the same merchandise assortments, financial discipline and customer service expectations as we have for the rest of our stores.

The Company anticipates closing ten stores in conjunction with the conversion, six Dick's stores and four Galyan's stores, the Galyan's clearance center and the Galyan's corporate headquarters. The Company also expects total merger integration and store closing costs of approximately $70 million pre-tax, of which $20 million was incurred in fiscal 2004. The Company estimates future merger costs of $39 million in fiscal 2005 with the balance in fiscal 2006 and beyond, which relates to future lease payments on closed stores. Merger integration and store closing costs primarily include the expense of closing Dick's stores, advertising the re-branding of Galyan's stores, duplicative costs, recruiting and system conversion costs.

Newly Issued Accounting Standards As discussed in the notes to the consolidated financial statements, we do not recognize any expense for stock option grants or for our employee stock purchase plan. The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") 123R, which requires expense recognition as compensation costs in our Consolidated Statements of Income for stock option grants and certain employee stock purchase plans beginning in the third quarter of our fiscal 2005. The Company is currently analyzing the impact of expensing stock options, which is based on a number of factors, including the Company's stock price, and will not be determined until the end of the second quarter of fiscal 2005. Based on current information, however, the Company estimates the expense related to stock options and the employee stock purchase plan in the second half of the year to be approximately $0.12 - $0.14 per share.

At its meeting on July 1, 2004 the Emerging Issues Task Force ("EITF") reached a tentative consensus that the dilutive effect of contingent convertible debt instruments must be included in dilutive EPS regardless of whether the triggering contingency has been satisfied. This tentative consensus, EITF Issue 04-8 ("Issue 04-8"), "The Effect of Contingently Convertible Debt on Diluted Earnings Per Share," would be applied on a retroactive basis and would require restatement of prior period diluted EPS by those affected companies. At its September 2004 meeting, the EITF affirmed its tentative consensus as it relates to market price contingencies.

The Indenture under which the convertible notes were issued prohibited the Company from paying cash upon a conversion of the Notes if an event of default (as defined in the Indenture) had occurred and was continuing at that time. The Company sought the consent of the holders of the Notes to amend the Indenture to eliminate that prohibition. This default provision, as it existed, would have caused the Company to include all shares of its common stock which are potentially issuable upon a conversion of the Notes in its computation of diluted earnings per share despite the Company's obligations and intention to settle amounts due in cash. The Company successfully completed its consent solicitation on December 23, 2004 and the Supplemental Indenture removed the restriction that prohibited the Company from paying cash upon the conversion of any Note if there had occurred and was continuing an Event of Default under the Indenture. As a result of the Supplemental Indenture, the Company is still permitted to exclude shares of its common stock which are potentially issuable upon a conversion of the Notes in its computation of diluted earnings per share.

Critical Accounting Policies and Use of Estimates

The Company's significant accounting policies are described in Note 1 of the Consolidated Financial Statements, which were prepared in accordance with accounting principles generally accepted in the United States of America. Critical accounting policies are those that the Company believes are both most important to the portrayal of the Company's financial condition and results of operations, and require the Company's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Judgments and uncertainties affecting the application of those policies may result in materially different amounts being reported under different conditions or using different assumptions.

The Company considers the following policies to be the most critical in understanding the judgments that are involved in preparing its consolidated financial statements.

Inventory Valuation The Company values inventory using the lower of weighted average cost or market method. Market price is generally based on the current selling price of the merchandise. The Company regularly reviews inventories to determine if the carrying value of the inventory exceeds market value and the Company records a reserve to reduce the carrying value to its market price, as necessary. Historically, the Company has rarely experienced significant occurrences of obsolescence or slow-moving inventory. However, future changes such as customer merchandise preference, unseasonable weather patterns, or business trends could cause the Company's inventory to be exposed to obsolescence or slow-moving merchandise.

Shrink expense is accrued as a percentage of merchandise sales based on historical shrink trends. The Company performs physical inventories at the stores and distribution centers throughout the year. The reserve for shrink represents an estimate for shrink for each of the Company's locations since the last physical inventory date through the reporting date. Estimates by location and in the aggregate are impacted by internal and external factors and may vary significantly from actual results.

Vendor Allowances Vendor allowances include allowances, rebates and cooperative advertising funds received from vendors. These funds are determined for each fiscal year and the majority are based on various quantitative contract terms. Amounts expected to be received from vendors relating to the purchase of merchandise inventories are recognized as a reduction of cost of goods sold as the merchandise is sold. Amounts that represent a reimbursement of costs incurred, such as advertising, are recorded as a reduction to the related expense in the period that the related expense is incurred. The Company records an estimate of earned allowances based on the latest projected purchase volumes and advertising forecasts. On an annual basis at the end of the year, the Company confirms earned allowances with vendors to ensure the amounts are recorded in accordance with the terms of the contract.

Goodwill, Intangible Assets and Impairment of Long-Lived Assets Goodwill and other intangible assets must be tested for impairment on an annual basis. Our evaluation of goodwill and intangible assets with indefinite useful lives for impairment requires accounting judgments and financial estimates in determining the fair value of such assets. If these judgments or estimates change in the future, we may be required to record impairment charges for these assets.

The Company reviews long-lived assets whenever events and circumstances indicate that the carrying value of these assets may not be recoverable based on estimated undiscounted future cash flows. Assets are reviewed at the lowest level for which cash flows can be identified, which is the store level. In determining future cash flows, significant estimates are made by the Company with respect to future operating results of each store over its remaining lease term. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Business Combinations Our acquisition of Galyan's is accounted for under the purchase method of accounting. The assets and liabilities of Galyan's are adjusted to their fair values and the excess of the purchase price over the net assets acquired is recorded as goodwill. The purchase price allocation as of January 29, 2005 is preliminary. The determination of fair values involves the use of estimates and assumptions, which may differ from actual results in the future. While we believe the factors considered and the independent appraisal performed will provide a reasonable basis for determining fair value, we cannot guarantee that the estimates and assumptions used will prevent adjustments to those estimates in future periods.

Self-Insurance The Company is self-insured for certain losses related to health, workers' compensation and general liability insurance, although we maintain stop-loss coverage with third-party insurers to limit our liability exposure. Liabilities associated with these losses are estimated in part by considering historical claims experience, industry factors, severity factors and other actuarial assumptions.

Forward-Looking Statements

We caution that any 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 our management involve risks and uncertainties and are subject to change based on various important factors, many of which may be beyond our control. Accordingly, our future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. Accordingly, investors should not place undue reliance on forward-looking statements as a prediction of actual results. You can identify these statements as those that may predict, forecast, indicate or imply future results, performance or advancements and by forward-looking words such as *"believe," "anticipate," "expect," "estimate," "predict," "intend," "plan," "project," "will," "will be," "will continue," "will result," "could," "may," "might"* or any variations of such words or other words with similar meanings. Forward-looking statements address, among other things, our expectations, our growth strategies, including our plans to open new stores, our efforts to increase profit margins and return on invested capital, plans to grow our private label business, projections of our future profitability, results of operations, capital expenditures or our financial condition or other "forward-looking" information and include statements about revenues, earnings, spending, margins, liquidity, store openings and operations, inventory, private label products, our actions, plans or strategies.

The following factors, among others, in some cases have affected and in the future could affect our financial performance and actual results and could cause actual results for 2005 and beyond to differ materially from those expressed or implied in any forward-looking statements included in this report or otherwise made by our management: the intense competition in the sporting goods industry and actions by our competitors; our inability to manage our growth, open new stores on a timely basis and expand successfully in new and existing markets; the availability of retail store sites on terms acceptable to us; the cost of real estate and other items related to our stores; our ability to access adequate capital; changes in consumer demand; risks relating to product liability claims and the availability of sufficient insurance coverage relating to those claims; our relationships with our suppliers, distributors or manufacturers and their ability to provide us with sufficient quantities of products; any serious disruption at our distribution or return facility; the seasonality of our business; the potential impact of natural disasters or national and international security concerns on us or the retail environment; risks related to the economic impact or the effect on the U.S. retail environment relating to instability and conflict in the Middle East or elsewhere; risks relating to the regulation of the products we sell, such as hunting rifles; risks associated with relying on foreign sources of production; risks relating to implementation of new management information systems; risks relating to operational and financial restrictions imposed by our senior secured revolving credit facility; factors associated with our pursuit of strategic acquisitions; the loss of our key executives, especially Edward W. Stack, our Chairman and Chief Executive Officer; our ability to meet our labor needs; changes in general economic and business conditions and in the specialty retail or sporting goods industry in particular; our ability to repay or make the cash payments under our senior convertible notes due 2024; changes in our business strategies and other factors discussed elsewhere in this report in further detail under the caption "Risks and Uncertainties" as well as other reports or filings filed by us with the Securities and Exchange Commission.

In addition, we operate in a highly competitive and rapidly changing environment; therefore, new risk factors can arise, and it is not possible for management to predict all such risk factors, nor to assess the impact of all such risk factors on our business or the extent to which any individual risk factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. We do not assume any obligation and do not intend to update any forward-looking statements.

On July 29, 2004, Dick's Sporting Goods, Inc. acquired all of the common stock of Galyan's Trading Company, Inc. ("Galyan's"), which became a wholly owned subsidiary of Dick's. Due to this acquisition, additional risks and uncertainties arise that could affect our financial performance and actual results and could cause actual results for 2005 and beyond to differ materially from those expressed or implied in any forward-looking statements included in this report or otherwise made by our management: risks associated with combining businesses and achieving expected savings and synergies (including annualized cost savings and merchandise buying improvements) and/or with assimilating acquired companies and the fact that merger integration and store closing costs related to the Galyan's acquisition are difficult to predict with a level of certainty and may be greater than expected.

Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk The Company's net exposure to interest rate risk will consist primarily of borrowings under the senior secured revolving credit facility. The Company's senior secured revolving credit facility bears interest at rates that are benchmarked either to U.S. short-term floating rate interest rates or one-month LIBOR rates, at the Company's election. Outstanding borrowings under the Credit Agreement were $76.1 million as of January 29, 2005. There were no borrowings outstanding under the senior secured revolving credit facility as of January 31, 2004. The impact on the Company's annual net income of a hypothetical one percentage point interest rate change on the average outstanding balances under the senior secured revolving credit facility would be approximately $0.6 million based upon fiscal 2004 average borrowings.

Credit Risk In February 2004, the Company sold $172.5 million issue price of senior unsecured convertible notes due 2024 ("convertible notes"). In conjunction with the issuance of these convertible notes, we also entered into a five-year convertible bond hedge and a five-year separate warrant transaction with one of the initial purchasers ("the counterparty") and/or certain of its affiliates. Subject to the movement in our common stock price, we could be exposed to credit risk arising out of net settlement of the convertible bond hedge and separate warrant transaction in our favor. Based on our review of the possible net settlements and the credit strength of the counterparty and its affiliates, we believe that we do not have a material exposure to credit risk as a result of these share option transactions.

Impact of Inflation The Company does not believe that operating results have been materially affected by inflation during the preceding three fiscal years. There can be no assurance, however, that operating results will not be adversely affected by inflation in the future.

Tax Matters Presently, the Company does not believe that there are any tax matters that could materially affect the consolidated financial statements.

Seasonality and Quarterly Results The Company's business is subject to seasonal fluctuations. Significant portions of the Company's net sales and profits are realized during the fourth quarter of the Company's fiscal year, which is due, in part, to the holiday selling season and, in part, to our sales of cold weather sporting goods and apparel. Any decrease in fiscal fourth quarter sales, whether because of a slow holiday selling season, unseasonable weather conditions, or otherwise, could have a material adverse effect on our business, financial condition and operating results for the entire fiscal year.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Dick's Sporting Goods, Inc.

We have audited the accompanying consolidated balance sheets of Dick's Sporting Goods, Inc. and subsidiaries (the "Company") as of January 29, 2005 and January 31, 2004, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the three fiscal years in the period ended January 29, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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, such consolidated financial statements present fairly, in all material respects, the financial position of Dick's Sporting Goods, Inc. and subsidiaries as of January 29, 2005 and January 31, 2004, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 29, 2005, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of January 29, 2005, based on the criteria established in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 28, 2005 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Deloitte & Touche LLP

Pittsburgh, Pennsylvania
March 28, 2005

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Dick's Sporting Goods, Inc.

We have audited management's assessment, included in the accompanying Management's Report on "Internal Control Over Financial Reporting", that Dick's Sporting Goods, Inc. and subsidiaries (the "Company") maintained effective internal control over financial reporting as of January 29, 2005, based on criteria established in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on "Internal Control Over Financial Reporting," management excluded from their assessment the internal control over financial reporting at Galyan's Trading Company, which was acquired on July 29, 2004 representing approximately 24% of total assets at January 29, 2005. Accordingly, our audit did not include the internal control over financial reporting at Galyan's Trading Company. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of January 29, 2005, is fairly stated, in all material respects, based on the criteria established in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 29, 2005, based on the criteria established in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the fiscal year ended January 29, 2005 of the Company and our reports dated March 28, 2005 expressed an unqualified opinion on those financial statements and financial statement schedule.

Deloitte & Touche LLP

Pittsburgh, Pennsylvania
March 28, 2005

Management's Responsibility for Financial Statements

The management of Dick's Sporting Goods, Inc. is responsible for the preparation and integrity of the consolidated financial statements included in this Annual Report to Shareholders. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include amounts based on management's best estimates and judgments where necessary. Financial information included elsewhere in this Annual Report is consistent with these financial statements. The consolidated financial statements were audited by our independent registered public accounting firm. Their report is included herein on page 34.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. In order to evaluate the effectiveness of internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, management has conducted an assessment, including testing, using the criteria in "Internal Control–Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company's system of internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on its assessment, management has concluded that the Company maintained effective internal control over financial reporting as of January 29, 2005, based on criteria in "Internal Control–Integrated Framework" issued by the COSO. The scope of management's assessment of the effectiveness of internal control over financial reporting includes all of the Company's businesses except for Galyan's, a material business acquired on July 29, 2004 representing approximately 24% of total assets at January 29, 2005. Management's assessment of the effectiveness of the Company's internal control over financial reporting as of January 29, 2005, has been audited by Deloitte & Touche, LLP, an independent registered public accounting firm, as stated in their report which is included herein on page 35.

Edward W. Stack
Chairman and
Chief Executive Officer

William R. Newlin
Executive Vice President and
Chief Administrative Officer

Michael F. Hines
Executive Vice President
and Chief Financial Officer

consolidated statements of income

Fiscal Year Ended	**January 29, 2005**	January 31, 2004	February 1, 2003
(Dollars in thousands, except per share data)			
Net sales	$ 2,109,399	$ 1,470,845	$ 1,272,584
Cost of goods sold, including occupancy and distribution costs	1,522,873	1,062,820	934,956
Gross profit	586,526	408,025	337,628
Selling, general and administrative expenses	443,776	314,885	262,755
Pre-opening expenses	11,545	7,499	6,000
Merger integration and store closing costs	20,336	–	–
Income from operations	110,869	85,641	68,873
(Gain) on sale / loss on write-down of non-cash investment	(10,981)	(3,536)	2,447
Interest expense, net	8,009	1,831	2,864
Other income	(1,000)	–	–
Income before income taxes	114,841	87,346	63,562
Provision for income taxes	45,936	34,938	25,425
Net income	**$ 68,905**	**$ 52,408**	**$ 38,137**
Earnings per common share:			
Basic	$ 1.44	$ 1.17	$ 1.08
Diluted	$ 1.30	$ 1.04	$ 0.93
Weighted average common shares outstanding:			
Basic	47,978	44,774	35,458
Diluted	52,921	50,280	40,958

See notes to consolidated financial statements.

consolidated balance sheets

(Dollars in thousands, except per share data)	January 29, 2005	January 31, 2004
Assets		
Current assets:		
Cash and cash equivalents	$ 18,886	$ 93,674
Accounts receivable, net	30,611	10,185
Income tax receivable	7,202	232
Inventories, net	457,618	254,360
Prepaid expenses and other current assets	8,772	5,222
Deferred income taxes	7,966	1,021
Total current assets	531,055	364,694
Property and equipment, net	349,098	144,402
Construction in progress – leased facilities	15,233	10,927
Goodwill	157,245	–
Other assets:		
Deferred income taxes	871	6,099
Investments	3,388	7,054
Other	28,158	10,184
Total other assets	32,417	23,337
Total assets	**$ 1,085,048**	**$ 543,360**
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 211,685	$ 118,383
Accrued expenses	141,465	72,090
Deferred revenue and other liabilities	48,882	37,037
Current portion of other long-term debt and capital leases	635	505
Total current liabilities	402,667	228,015
Long-term liabilities:		
Senior convertible notes	172,500	–
Revolving credit borrowings	76,094	–
Other long-term debt and capital leases	8,775	3,411
Non-cash obligations for construction in progress – leased facilities	15,233	10,927
Deferred revenue and other liabilities	96,112	60,113
Total long-term liabilities	368,714	74,451
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value, $.01 per share, authorized shares 5,000,000; none issued and outstanding	–	–
Common stock, par value, $.01 per share, authorized shares 200,000,000; issued and outstanding shares 34,790,358 and 33,052,882, at January 29, 2005 and January 31, 2004, respectively	348	331
Class B common stock, par value, $.01 per share, authorized shares 40,000,000; issued and outstanding shares 14,039,529 and 14,107,644, at January 29, 2005 and January 31, 2004, respectively	140	141
Additional paid-in capital	181,321	175,748
Retained earnings	129,862	60,957
Accumulated other comprehensive income	1,996	3,717
Total stockholders' equity	313,667	240,894
Total liabilities and stockholders' equity	**$ 1,085,048**	**$ 543,360**

See notes to consolidated financial statements.

consolidated statements of comprehensive income

Fiscal Year Ended	January 29, 2005	January 31, 2004	February 1, 2003
(Dollars in thousands)			
Net income	$ 68,905	$ 52,408	$ 38,137
Other comprehensive income:			
Unrealized gain (loss) on securities available-for-sale, net of tax	5,417	6,016	(892)
Reclassification adjustment for losses realized in net income due to the write-down of the non-cash investment to its fair value, net of tax	–	–	892
Reclassification adjustment for gains realized in net income due to the sale of available-for-sale securities, net of tax	(7,138)	(2,299)	–
Comprehensive income	**$ 67,184**	**$ 56,125**	**$ 38,137**

See notes to consolidated financial statements.

consolidated statements of changes in stockholders' equity

	Common Stock		Class B Common Stock	
	Shares	Dollars	Shares	Dollars
(Dollars in thousands)				
BALANCE, February 2, 2002	33,653,830	$ 336	–	$ –
Exchange of common stock for Class B common stock	(15,362,016)	(154)	15,362,016	154
Sale of common stock in initial public offering, net of transaction costs	5,544,000	55	–	–
Sale of common stock under stock plans	866,988	9	–	–
Exercise of warrants	38,004	1	–	–
Exercise of stock options, including tax benefit of $662	393,242	4	–	–
Net income	–	–	–	–
Repayment of note receivable	–	–	–	–
Unrealized loss on securities available-for-sale, net of taxes of $480	–	–	–	–
BALANCE, February 1, 2003	25,134,048	251	15,362,016	154
Exchange of Class B common stock for common stock	1,254,372	13	(1,254,372)	(13)
Sale of common stock under stock plans	238,906	2	–	–
Exercise of stock options, including tax benefit of $29,861	6,425,556	65	–	–
Transaction costs related to initial public offering	–	–	–	–
Net income	–	–	–	–
Unrealized gain on securities available-for-sale, net of taxes of $2,001	–	–	–	–
BALANCE, January 31, 2004	33,052,882	331	14,107,644	141
Exchange of Class B common stock for common stock	68,115	1	(68,115)	(1)
Sale of common stock under stock plans	137,240	1	–	–
Exercise of stock options, including tax benefit of $15,868	1,532,121	15	–	–
Purchase of bond hedge, net of sale of warrant, including tax benefit of $2,171	–	–	–	–
Net income	–	–	–	–
Unrealized gain on securities available-for-sale, net of taxes of $2,917	–	–	–	–
Reclassification adjustment for gains realized in net income due to the sale of securities available-for-sale, net of taxes of $3,843	–	–	–	–
BALANCE, January 29, 2005	**34,790,358**	**$ 348**	**14,039,529**	**$ 140**

See notes to consolidated financial statements.

Additional Paid-In Capital	(Accumulated Deficit) Retained Earnings	Note Receivable for Common Stock	Accumulated Other Comprehensive Income	Total
$ 96,112	$ (29,588)	$ (6,196)	$ 892	$ 61,556
–	–	–	–	–
27,881	–	–	–	27,936
4,412	–	–	–	4,421
18	–	–	–	19
1,446	–	–	–	1,450
–	38,137	–	–	38,137
–	–	6,196	–	6,196
–	–	–	(892)	(892)
129,869	8,549	–	–	138,823
–	–	–	–	–
2,471	–	–	–	2,473
43,225	–	–	–	43,290
183	–	–	–	183
–	52,408	–	–	52,408
–	–	–	3,717	3,717
175,748	60,957	–	3,717	240,894
–	–	–	–	–
3,232	–	–	–	3,233
20,870	–	–	–	20,885
(18,529)	–	–	–	(18,529)
–	68,905	–	–	68,905
–	–	–	5,417	5,417
–	–	–	(7,138)	(7,138)
$ 181,321	**$ 129,862**	**$ –**	**$ 1,996**	**$ 313,667**

consolidated statements of cash flows

Fiscal Year Ended	January 29, 2005	January 31, 2004	February 1, 2003
(Dollars in thousands)			
Cash flows from operating activities:			
Net income	$ 68,905	$ 52,408	$ 38,137
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	37,621	17,554	14,420
Deferred income taxes	18,124	8,201	(5,103)
Tax benefit from exercise of stock options	15,868	29,861	662
Tax benefit from convertible bond hedge	2,171	–	–
Gain on sale of non-cash investment	(10,981)	(3,536)	–
Other non-cash items	–	2,067	2,447
Changes in assets and liabilities:			
Accounts receivable	(3,470)	3,904	(1,984)
Inventories	(44,813)	(20,863)	(31,912)
Prepaid expenses and other assets	(2,177)	1,549	(8,218)
Accounts payable	(4,260)	(19,850)	28,122
Accrued expenses	(4,707)	12,842	12,236
Income taxes payable	–	(12,763)	7,033
Deferred revenue and other liabilities	35,560	27,840	9,845
Net cash provided by operating activities	107,841	99,214	65,685
Cash flows used in investing activities:			
Capital expenditures	(104,944)	(67,064)	(33,548)
Proceeds from sale-leaseback transactions	35,687	14,726	6,417
Payment for the purchase of Galyan's, net of $17,931 cash acquired	(351,554)	–	–
Purchase of held-to-maturity securities	(57,942)	–	–
Proceeds from sale of held-to-maturity securities	57,942	–	–
(Increase) decrease in recoverable costs from developed properties	(5,962)	2,079	–
Proceeds from sale of non-cash investment	12,001	4,150	–
Net cash used in investing activities	(414,772)	(46,109)	(27,131)
Cash flows from financing activities:			
Proceeds from issuance of convertible notes	172,500	–	–
Revolving credit borrowings (payments), net	76,094	–	(77,073)
(Payments) borrowings on long-term debt and capital leases	(537)	339	(211)
Payment for purchase of bond hedge	(33,120)	–	–
Proceeds from issuance of warrant	12,420	–	–
Transaction costs for convertible notes	(6,239)	–	–
Proceeds from sale of common stock in initial public offering	–	–	30,936
Proceeds from sale of common stock under employee stock purchase plan	3,233	2,473	4,421
Proceeds from exercise of stock options	5,017	13,429	807
Repayment of note receivable for common stock	–	–	6,196
Increase in bank overdraft	2,775	13,025	1,514
Transaction costs related to initial public offering	–	183	(3,000)
Net cash provided by (used in) financing activities	232,143	29,449	(36,410)
Net (decrease) increase in cash and cash equivalents	(74,788)	82,554	2,144
Cash and cash equivalents, beginning of period	93,674	11,120	8,976
Cash and cash equivalents, end of period	**$ 18,886**	**$ 93,674**	**$ 11,120**
Supplemental non-cash investing and financing activities:			
Construction in progress – leased facilities	$ 4,306	$ 9,594	$ (7,476)
Accrued property and equipment	$ 13,855	$ –	$ –

See notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Operations Dick's Sporting Goods, Inc. (together with its subsidiaries, the "Company") is a specialty retailer selling sporting goods, footwear and apparel through its 234 stores, the majority of which are located throughout the eastern half of the United States. On July 29, 2004, a wholly owned subsidiary of Dick's Sporting Goods, Inc. completed the acquisition of Galyan's Trading Company, Inc. The Consolidated Statements of Income for the year ended January 29, 2005 reflect the results of Dick's Sporting Goods on a stand-alone basis from February 1, 2004 to July 28, 2004 and the combined company from the acquisition date of July 29, 2004 to January 29, 2005. Prior year results include Dick's Sporting Goods, Inc. on a stand-alone basis.

Fiscal Year The Company's fiscal year ends on the Saturday closest to the end of January. Fiscal years 2004, 2003 and 2002 ended on January 29, 2005, January 31, 2004 and February 1, 2003.

Principles of Consolidation The consolidated financial statements include Dick's Sporting Goods, Inc. and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates in the Preparation of Financial Statements The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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 consist of cash on hand and all highly liquid instruments purchased with a maturity of three months or less at the date of purchase. Interest income was $1.2 million, $0.1 million and $0.3 million for fiscal 2004, 2003 and 2002, respectively.

Cash Management The Company's cash management system provides for the reimbursement of all major bank disbursement accounts on a daily basis. Accounts payable at January 29, 2005 and January 31, 2004 include $60.6 million and $42.3 million, respectively, of checks drawn in excess of cash balances not yet presented for payment.

Accounts Receivable Accounts receivable consists principally of amounts receivable from vendors. The allowance for doubtful accounts totaled $4.8 million and $1.1 million, as of January 29, 2005 and January 31, 2004, respectively.

Inventories Inventories are stated at the lower of weighted average cost or market. Inventory cost consists of the direct cost of merchandise including freight. Inventories are net of shrinkage, obsolescence, sales returns, reserve for discontinued Galyan's merchandise, other valuations and vendor allowances totaling $37.7 million and $18.5 million at January 29, 2005 and January 31, 2004, respectively.

Property and Equipment Property and equipment are recorded at cost and include capitalized leases. For financial reporting purposes, depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

Buildings	40 years
Leasehold improvements	10-25 years
Furniture, fixtures and equipment	3-7 years
Vehicles	5 years

For leasehold improvements and property and equipment under capital lease agreements, depreciation and amortization are calculated using the straight-line method over the shorter of the estimated useful lives of the assets or the lease term.

Renewals and betterments are capitalized and repairs and maintenance are expensed as incurred.

The Company periodically evaluates its long-lived assets to assess whether the carrying values have been impaired, using the provisions of Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

Goodwill and Intangible Assets In accordance with SFAS No. 142, "Accounting for Goodwill and Other Intangible Assets," the Company will continue to assess on an annual basis whether goodwill and other intangible assets acquired in the acquisition of Galyan's are impaired. Additional impairment assessments may be performed on an interim basis if the Company deems it necessary. Finite-lived intangible assets are amortized over their estimated useful economic lives and are periodically reviewed for impairment. No impairment of goodwill or intangible assets was recorded as of January 29, 2005.

Investments Investments consist of shares of restricted and unrestricted, unregistered common stock. Common stock for which restrictions lapse within one year is classified as "available-for-sale" in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and is carried at fair value within other assets. Fair value at the acquisition date was based upon the publicly quoted equity price of GSI Commerce Inc. ("GSI") stock, less a discount resulting from the stock not yet being vested and the unregistered character of the stock once it does vest, which occurs quarterly over a four-year period. This discount was based on an independent appraisal obtained by the Company. Unrealized holding gains and losses on stock for which restrictions lapse within one year are included in other comprehensive income and are shown as a component of stockholders' equity as of the end of each fiscal year (see Note 12).

Deferred Revenue and Other Liabilities Deferred revenue and other liabilities is primarily comprised of gift cards, deferred rent, which represents the difference between rent paid and the amounts expensed for operating leases, deferred liabilities related to construction allowances and capitalized rent, amounts deferred relating to the investment in GSI (see Note 12) and advance payments under the terms of building sale-leaseback agreements. Deferred liabilities related to construction allowances and capitalized rent, net of related amortization, at January 29, 2005 and January 31, 2004 was $69.0 million and $46.9 million, respectively. Deferred revenue related to gift cards at January 29, 2005 and January 31, 2004 was $47.0 million and $27.0 million, respectively.

Self-Insurance The Company is self-insured for certain losses related to health, workers' compensation and general liability insurance, although we maintain stop-loss coverage with third-party insurers to limit our liability exposure. Liabilities associated with these losses are estimated in part by considering historical claims experience, industry factors, severity factors and other actuarial assumptions.

Pre-opening Expenses Pre-opening expenses, which consist primarily of rent, marketing, payroll and recruiting costs, are expensed as incurred.

Merger Integration and Store Closing Costs Merger integration and store closing costs include the expense of closing Dick's stores in connection with the Galyan's acquisition, advertising the re-branding of Galyan's stores, duplicative administrative costs, recruiting and system conversion costs. These costs were $20.3 million for fiscal 2004.

Stock Split On February 10, 2004, the Company's board of directors approved a two-for-one stock split, in the form of a stock dividend of the Company's common shares for stockholders of record as of March 19, 2004. The split was effected by issuing our stockholders of record one additional share of common stock for every share of common stock held, and one additional share of Class B common stock for every share of Class B common stock held. The applicable share and per-share data for periods prior to fiscal 2004 included herein have been restated to give effect to this stock split.

Earnings Per Share The computation of basic earnings per share is based on the weighted average number of shares outstanding during the period. The computation of diluted earnings per share is based on the weighted average number of shares outstanding plus the incremental shares that would be outstanding assuming the exercise of dilutive stock options and warrants, calculated by applying the treasury stock method.

Stock-Based Compensation The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees" and related Interpretations. Accordingly, no compensation expense has been recognized where the exercise price of the option was equal to or greater than the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation (see Note 9):

Fiscal Year Ended	January 29, 2005	January 31, 2004	February 1, 2003
(Dollars in thousands, except per share data)			
Net income, as reported	$ 68,905	$ 52,408	$ 38,137
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	(11,761)	(3,908)	(1,825)
Proforma net income	**$ 57,144**	**$ 48,500**	**$ 36,312**
Earnings per share:			
Basic income applicable to common shareholders – as reported	$ 1.44	$ 1.17	$ 1.08
Basic income applicable to common shareholders – proforma	$ 1.19	$ 1.08	$ 1.02
Diluted income applicable to common shareholders – as reported	$ 1.30	$ 1.04	$ 0.93
Diluted income applicable to common shareholders – proforma	$ 1.08	$ 0.96	$ 0.89

The fair value of stock-based awards to employees is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Employee Stock Options			Employee Stock Purchase Plan		
	2004	2003	2002	2004	2003	2002
Expected life (years)	5	3 - 5	7.5	0.5	0.5	0.02 - 0.5
Expected volatility	52% - 54%	48% - 62%	60%	26% - 30%	32% - 47%	60%
Risk-free interest rate	3.42% - 3.96%	2.20% - 3.52%	3.50% - 3.51%	1.69% - 2.61%	0.96% - 1.02%	1.23% - 1.66%
Expected dividend yield	–	–	–	–	–	–
Weighted average fair values	$ 15.77	$ 10.73	$ 4.31	$ 7.21	$ 5.02	$ 1.67

Income Taxes The Company utilizes the asset and liability method of accounting for income taxes under the provisions of SFAS No. 109, "Accounting for Income Taxes," and provides deferred income taxes for temporary differences between the amounts reported for assets and liabilities for financial statement purposes and for income tax reporting purposes.

Revenue Recognition Revenue from retail sales is recognized at the point-of-sale. Revenue from cash received for gift cards is deferred, and the revenue is recognized upon the redemption of the gift card. Sales are recorded net of estimated returns. Revenue from layaway sales is recognized upon receipt of final payment from the customer.

Advertising Costs Production costs of advertising and the costs to run the advertisements are expensed the first time the advertisement takes place. Advertising expense was $78.3 million, $54.4 million and $42.6 million for fiscal 2004, 2003 and 2002, respectively.

Vendor Allowances Vendor allowances include allowances, rebates and cooperative advertising funds received from vendors. These funds are determined for each fiscal year and the majority are based on various quantitative contract terms. Amounts expected to be received from vendors relating to the purchase of merchandise inventories are recognized as a reduction of cost of goods sold as the merchandise is sold. Amounts that represent a reimbursement of costs incurred, such as advertising, are recorded as a reduction to the related expense in the period that the related expense is incurred. The Company records an estimate of earned allowances based on the latest projected purchase volumes and advertising forecasts. On an annual basis at the end of the year, the Company confirms earned allowances with vendors to determine that the amounts are recorded in accordance with the terms of the contract.

Fair Value of Financial Instruments The Company has financial instruments which include long-term debt and revolving debt. The carrying amounts of the Company's debt instruments approximate their fair value, estimated using the Company's current incremental borrowing rates for similar types of borrowing arrangements.

Segment Information The Company is a specialty retailer that offers a broad range of products in its specialty retail stores in the Eastern United States. Given the economic characteristics of the store formats, the similar nature of the products sold, the type of customer, and method of distribution, the operations of the Company are one reportable segment.

Newly Issued Accounting Pronouncements In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123R, "Share-Based Payment" ("SFAS 123R"), a revision of SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS 123R will require the Company to, among other things, measure all employee stock-based compensation awards using a fair value method and record such expense in the Company's consolidated financial statements. The provisions of SFAS 123R are effective for the first interim or annual reporting period that begins after June 15, 2005; therefore, the Company will adopt the new requirements at the beginning of its third quarter of fiscal 2005. The Company is currently analyzing the impact of expensing stock options, which is based on a number of factors, including the Company's stock price, and will not be determined until the end of the second quarter of fiscal 2005. Based on current information, however, the Company estimates the cost in the second half of the year to be approximately $0.12 - $0.14 per share.

2. Acquisition

On July 29, 2004, Dick's Sporting Goods, Inc. acquired all of the common stock of Galyan's for $16.75 per share in cash, and Galyan's became a wholly owned subsidiary of Dick's. Dick's paid $351.6 million, net of cash acquired of $17.9 million, to fund and consummate the Galyan's acquisition, including the repayment of $57.2 million of Galyan's indebtedness. The Company obtained approximately $193 million of these funds from cash and cash equivalents, investments and the balance from borrowings under its revolving line of credit.

The primary reasons for the acquisition of Galyan's, and the primary factors that contributed to a purchase price that resulted in recognition of goodwill were:

- The acquisition provided broader real estate coverage in our existing geographic footprint, creating new in-fill opportunities as well as a quicker entry into key markets such as Chicago, Atlanta, Minneapolis, Dallas and Denver, capitalizing on Galyan's premium quality real estate;
- The acquisition improved our logistics capabilities, with the addition of a second full-service distribution center in Plainfield, IN to serve the western portion of the chain; and
- The acquisition creates meaningful margin improvement opportunities due to lower merchandise costs as we order in larger volumes, intend to have fewer markdowns due to improved inventory control and create leverage of advertising and general and administrative expenditures.

The transaction is being accounted for using the purchase method of accounting as required by Statement of Financial Accounting Standards ("SFAS") Statement No. 141, "Business Combinations," with Dick's as the accounting acquirer. Accordingly, the purchase price has been allocated to tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition. The excess of the purchase price over the estimated fair value of net assets acquired was recorded as goodwill. The Consolidated Statements of Income for the year ended January 29, 2005 reflect the results of Dick's Sporting Goods on a stand-alone basis from February 1, 2004 to July 28, 2004 and the combined company from the acquisition date of July 29, 2004 to January 29, 2005. Prior year results include Dick's Sporting Goods, Inc. on a stand-alone basis. The allocation of the purchase price to specific assets and liabilities is based, in part, upon internal estimates of assets and liabilities. The Company has received an independent appraisal for certain assets and is in the process of refining its internal fair value estimates for certain assets and liabilities; therefore, the allocation of the purchase price is preliminary and the final allocation may differ. Based on the preliminary purchase price allocation, the following table summarizes estimated fair values of the assets acquired and liabilities assumed:

(In thousands)	
Inventory	$ 158,572
Other current assets	61,609
Property and equipment, net	164,449
Other long-term assets, excluding goodwill	4,371
Goodwill	157,245
Favorable leases	5,310
Accounts payable	(94,784)
Accrued expenses	(59,847)
Other current liabilities	(11,403)
Long-term debt	(5,933)
Other long-term liabilities	(10,105)
Fair value of net assets acquired, including intangibles	**$ 369,484**

As of January 29, 2005, the Company had accrued expenses of $3.6 million related to Galyan's associate severance, retention bonuses and relocation, and $3.7 million related to the closing of Galyan's stores, the Galyan's clearance center and its corporate headquarters, which consists primarily of rent, common area maintenance and real estate taxes. These costs were accounted for under Emerging Issues Task Force No. 95-3 ("Issue 95-3"), "Recognition of Liabilities in Connection with a Purchase Business Combination," and were recognized as a liability assumed in the acquisition. The Company is continuing to assess and complete the integration plans, which may result in changes to those accruals and reserves recorded.

The following table summarizes the activity in 2004:

(In thousands)	Associate Severance, Retention and Relocation	Liabilities Established for the Closing of Galyan's Stores and Corporate Headquarters	Inventory Reserve for Discontinued Galyan's Merchandise	Total
Liabilities and reserves established in conjunction with the Galyan's acquisition at July 31, 2004	$ 15,600	$ 15,838	$ 22,686	$ 54,124
Cash paid	(11,381)	(3,834)	–	(15,215)
Adjustments to the estimate	(599)	(8,331)	–	(8,930)
Clearance of discontinued Galyan's merchandise	–	–	(16,376)	(16,376)
Balance at January 29, 2005	**$ 3,620**	**$ 3,673**	**$ 6,310**	**$ 13,603**

The $16.4 million of inventory reserve utilized for the clearance of discontinued Galyan's merchandise was recorded as a reduction of cost of sales from July 31, 2004 to January 29, 2005. The Company believes that the remaining reserves are adequate to complete its integration plan and expects payments to be substantially completed by the end of fiscal 2005, with the balance in fiscal 2006 and beyond which relates primarily to future lease payments on closed stores.

The following unaudited proforma summary presents information as if Galyan's had been acquired at the beginning of each period presented. The proforma amounts include certain reclassifications to Galyan's amounts to conform them to the Company's presentation, and an increase in interest expense of $3.9 million and $7.7 million for the years ended January 29, 2005 and January 31, 2004, respectively, to reflect the increase in borrowings under the amended credit facility to finance the acquisition as if it had occurred at the beginning of each period presented. The proforma amounts do not reflect any benefits from economies, which might be achieved from combining the operations.

The proforma information does not necessarily reflect the actual results that would have occurred had the companies been combined during the periods presented, nor is it necessarily indicative of the future results of operations of the combined companies.

Year Ended	January 29, 2005	January 31, 2004
(Unaudited, in thousands, except per share amounts)		
Net sales	$ 2,448,643	$ 2,159,065
Net income	$ 55,947	$ 51,624
Basic earnings per share	$ 1.17	$ 1.15
Diluted earnings per share	$ 1.06	$ 1.03

3. Goodwill and Other Intangible Assets

In connection with the acquisition of Galyan's on July 29, 2004, the Company recorded goodwill and other intangible assets in accordance with SFAS No. 141, "Business Combinations." As of January 29, 2005, $157.2 million of goodwill was recorded as the excess of the purchase price of $369.5 million over the fair value of the net amounts assigned to assets acquired and liabilities assumed. In accordance with SFAS No. 142, "Accounting for Goodwill and Other Intangible Assets," the Company will continue to assess on an annual basis whether goodwill and other intangible assets acquired in the acquisition of Galyan's are impaired. Additional impairment assessments may be performed on an interim basis if the Company deems it necessary. Finite-lived intangible assets are amortized over their estimated useful economic lives and are periodically reviewed for impairment. No amounts assigned to any intangible assets are deductible for tax purposes.

The change in the carrying amount of goodwill for the year ended January 29, 2005 is as follows:

(In thousands)	
Goodwill balance at July 31, 2004	$ 159,398
Change in deferred taxes related to purchase price adjustments	1,978
Elimination of deferred rent	(9,628)
Decrease in property and equipment, net for revised store closing estimate	14,932
Record favorable leases based on appraisal	(5,310)
Galyan's transaction fees	7,370
Decrease in accruals related to the corporate headquarters and store closing charge	(8,331)
Other	(3,164)
Goodwill balance at January 29, 2005	**$ 157,245**

Acquired intangible assets subject to amortization at January 29, 2005 were as follows:

	2004	
	Gross Amount	Accumulated Amortization
(In thousands)		
Favorable leases	$ 5,310	$ 1

The estimated weighted average economic useful life is 12 years. The annual amortization expense of the favorable leases recorded as of January 29, 2005 is expected to be as follows:

Fiscal Years	Estimated Amortization Expense
(In thousands)	
2005	$ 46
2006	142
2007	241
2008	345
2009	453
Thereafter	4,084
Total	**$ 5,311**

4. Store and Corporate Office Closings

As a result of the Galyan's acquisition, the Company has decided to close six Dick's Sporting Goods stores and four Galyan's stores, two of which have lease terms expiring in fiscal 2004, the Galyan's clearance center and the Galyan's corporate headquarters. As of January 29, 2005, the Company has recorded $3.7 million of reserves and write-offs, net of cash payments for leases and other exit costs, related to the closings of the Galyan's locations. The Company decided to close certain stores that were in overlapping trade areas.

The following table provides a summary of the activity of the Galyan's store closing reserves and write-offs established in conjunction with the purchase price allocation:

	Lease and Other Costs	Write-offs of Property and Equipment	Total
(In thousands)			
Store and corporate office closing reserves and write-offs in conjunction with the Galyan's acquisition at July 31, 2004	$ 15,838	$ 6,953	$ 22,791
Adjustments to the reserves:			
Additional write-offs of property and equipment	–	8,950	8,950
Decrease in accruals related to Galyan's store closings	(8,331)	–	(8,331)
Cash payments for leases and other closing costs	(3,834)	–	(3,834)
Non-cash utilization of reserves related to property and equipment write-offs upon store and corporate office closure	–	(15,903)	(15,903)
Store and corporate office closing reserves and write-offs at January 29, 2005	**$ 3,673**	**$ –**	**$ 3,673**

In addition to the one Dick's store closed due to the acquisition, the Company closed two Dick's stores that were not related to the Galyan's acquisition. One store was closed as its replacement was opened in fiscal 2003, and the second store was closed due to poor performance. The following table summarizes the activity of the Dick's store closing reserves and write-offs established due to store closings as a result of the Galyan's acquisition and the other strategic actions:

	Acquisition Related	Not Related to the Acquisition	Total
Balance at February 1, 2004	$ –	$ –	$ –
Expense charged to earnings	3,315	1,579	4,894
Cash payments for leases and other costs	(124)	(1,579)	(1,703)
Balance at January 29, 2005	**$ 3,191**	**$ –**	**$ 3,191**

The following table summarizes the significant components and presentation, in the Consolidated Statements of Income, of the expenses incurred as a result of the decision to close the Dick's stores during 2004:

	Acquisition Related	Not Related to the Acquisition	Total
Cost of sales	$ –	$ 1,579	$ 1,579
Merger integration and store closing costs	7,924	–	7,924
Total charge to earnings	**$ 7,924**	**$ 1,579**	**$ 9,503**

The amounts above relate to store rent, common area maintenance and real estate taxes, additional depreciation due to shortened useful lives of the assets and expenses related to the liquidation of inventory.

5. Property and Equipment

Property and equipment are recorded at cost and consist of the following as of the end of the fiscal periods:

(In thousands)	2004	2003
Buildings and land	$ 31,869	$ 2,752
Leasehold improvements	257,460	159,432
Furniture, fixtures and equipment	189,723	81,398
	479,052	243,582
Less accumulated depreciation and amortization	(129,954)	(99,180)
Net property and equipment	**$ 349,098**	**$ 144,402**

6. Accrued Expenses

Accrued expenses consist of the following as of the end of the fiscal periods:

(In thousands)	2004	2003
Accrued payroll, withholdings and benefits	$ 41,245	$ 28,338
Accrued property and equipment	23,428	5,843
Other accrued expenses	76,792	37,909
Total accrued expenses	**$ 141,465**	**$ 72,090**

7. Debt

The Company's outstanding debt at January 29, 2005 and January 31, 2004 was as follows:

(In thousands)	2004	2003
Senior convertible notes	$ 172,500	$ –
Revolving line of credit	76,094	–
Capital leases	8,427	2,757
Third-party debt	793	834
Related party debt	190	325
Total debt	258,004	3,916
Less current portion	(635)	(505)
Total long-term debt	**$ 257,369**	**$ 3,411**

Senior Convertible Notes On February 18, 2004, the Company completed a private offering of $172.5 million issue price of senior unsecured convertible notes due 2024 ("senior convertible notes") in transactions pursuant to Rule 144A under the Securities Act of 1933, as amended. Net proceeds of $145.6 million to the Company are net of estimated transaction costs associated with the offering of $6.2 million, and the net cost of a convertible bond hedge and a separate warrant transaction. The hedge and warrant transactions effectively increase the conversion price associated with the senior convertible notes during the term of these transactions from 40% to 100%, or from $39.31 to $56.16 per share, thereby reducing the potential dilutive economic effect to shareholders upon conversion.

The senior convertible notes bear interest at an annual rate of 2.375% of the issue price payable semi-annually on August 18th and February 18th of each year until February 18, 2009, with the first interest payment made on August 18, 2004. After February 18, 2009, the senior convertible notes will not pay cash interest but the initial principal amount of the notes will accrete daily at an original issue discount rate of 2.625%, until maturity on February 18, 2024, when a holder will receive $1,000 per note. The senior convertible notes are convertible into the Company's common stock (the "common stock") at an initial conversion price in each of the first 20 fiscal quarters following issuance of the notes of $39.31 per share, upon the occurrence of certain events. Thereafter, the conversion price per share of common stock increases each fiscal quarter by the accreted original issue discount for the quarter. Upon conversion of a note, the Company is obligated to pay cash in lieu of issuing some or all of the shares of common stock, in an amount up to the accreted principal amount of the note, and whether any shares of common stock are issuable in addition to this cash payment would depend upon the then market price of the Company's common stock. The senior convertible notes will mature on February 18, 2024, unless earlier converted or repurchased. The Company may redeem the notes at any time on or after February 18, 2009, at its option, at a redemption price equal to the sum of the issue price, accreted original discount and any accrued cash interest, if any. The total face amount of the senior convertible notes was $255.1 million prior to the original discount of $82.6 million.

Concurrently with the sale of the senior convertible notes, the Company purchased a bond hedge designed to mitigate the potential dilution to shareholders from the conversion of the senior convertible notes. Under the five year terms of the bond hedge, one of the initial purchasers ("the counterparty") will deliver to the Company upon a conversion of the bonds a number of shares of common stock based on the extent to which the then market price exceeds $39.31 per share. The aggregate number of shares that the Company could be obligated to issue upon conversion of the senior convertible notes is 4,388,024 shares.

The cost of the purchased bond hedge was partially offset by the sale of warrants (the "warrants") to acquire up to 8,775,948 shares of the common stock to the counterparty with whom the Company entered into the bond hedge. The warrants are exercisable in year five at a price of $56.16 per share. The warrants may be settled at the Company's option through a net share settlement or a net cash settlement, either of which would be based on the extent to which the then market price exceeds $56.16 per share.

The net effect of the purchased bond hedge and the warrants is to either reduce the potential dilution from the conversion of the senior convertible notes if the Company elects a net share settlement or to increase the net cash proceeds of the offering if a net cash settlement is elected if the senior convertible notes are converted at a time when the market price of the common stock exceeds $39.31 per share. There would be dilution from the conversion of the senior convertible notes to the extent that the then market price per share of the common stock exceeds $56.16 at the time of conversion.

Revolving Credit Agreement On July 28, 2004, the Company executed its Second Amended and Restated Credit Agreement (the "Credit Agreement"), between Dick's and lenders named therein. The Credit Agreement became effective on July 29, 2004 and provides for a revolving credit facility in an aggregate outstanding principal amount of up to $350 million, including up to $75 million in the form of letters of credit. The Credit Agreement's term was extended to May 30, 2008.

As of January 29, 2005 and January 31, 2004, the Company's total remaining borrowing capacity, after subtracting letters of credit, under the Credit Agreement was $184.1 million and $154.3 million, respectively. Borrowing availability under the Company's Credit Agreement is generally limited to the lesser of 70% of the Company's eligible inventory or 85% of the Company's inventory's liquidation value, in each case net of specified reserves and less any letters of credit outstanding. Interest on outstanding indebtedness under the Credit Agreement is based upon a formula at either (a) the prime corporate lending rate, or (b) the one-month London Interbank Offering Rate ("LIBOR"), plus the applicable margin of 1.25% to 1.75% based on the level of excess borrowing availability. Borrowings are collateralized by the assets of the Company, excluding store and distribution center equipment and fixtures that have a net carrying value of $87.0 million as of January 29, 2005.

At January 29, 2005 and January 31, 2004, the prime rate was 5.25% and 4.00%, respectively, and LIBOR was 2.59% and 1.10%, respectively. The borrowings outstanding at January 29, 2005 were $76.1 million. There were no borrowings at January 31, 2004.

The Credit Agreement contains restrictive covenants including the maintenance of a certain fixed charge coverage ratio and prohibits payment of any dividends.

The Credit Agreement provides for letters of credit not to exceed the lesser of (a) $75 million, (b) $350 million less the outstanding loan balance and (c) the borrowing base minus the outstanding loan balance. As of January 29, 2005 and January 31, 2004, the Company had outstanding letters of credit totaling $17.1 million and $12.9 million, respectively.

The following table provides information about the Credit Agreement borrowings as of and for the periods:

(Dollars in thousands)	2004	2003
Balance, fiscal period end	$ 76,094	$ –
Average interest rate	3.30%	2.63%
Maximum outstanding during the year	$ 290,755	$ 71,395
Average outstanding during the year	$ 94,682	$ 33,027

Other Debt Other debt, exclusive of capital lease obligations, consists of the following as of the end of the fiscal periods:

(Dollars in thousands)	2004	2003
Third-party:		
Note payable, due in monthly installments of approximately $3, including interest at 4%, through 2020	$ 793	$ 834
Related party:		
Note payable to a former principal stockholder, due in monthly installments of approximately $14, including interest at 12%, through May 1, 2006	190	325
Total debt	983	1,159
Less current portion of:		
Third-party	(41)	(41)
Related party	(149)	(134)
Total long-term debt	**$ 793**	**$ 984**

Certain of the agreements pertaining to long-term debt contain financial and other restrictive covenants, none of which are more restrictive than those of the Credit Agreement as discussed herein.

Scheduled principal payments on other long-term debt as of January 29, 2005 are as follows:

Fiscal Year *(In thousands)*	
2005	$ 190
2006	84
2007	46
2008	48
2009	49
Thereafter	566
	$ 983

Capital Lease Obligations The Company leases two buildings from the estate of a former stockholder, which is related to current stockholders of the Company, under a capital lease entered into May 1, 1986 which expires in April 2021. In addition, the Company has a capital lease for a store location with a fixed interest rate of 10.6% that matures in 2024. The gross and net carrying values of assets under capital leases are approximately $8.0 million and $5.3 million, respectively, as of January 29, 2005, and $3.6 million and $1.9 million, respectively, as of January 31, 2004.

Scheduled lease payments under capital lease obligations as of January 29, 2005 are as follows:

Fiscal Year *(In thousands)*	
2005	$ 1,252
2006	962
2007	888
2008	905
2009	953
Thereafter	14,066
	19,026
Less amount representing interest	10,599
Present value of net scheduled lease payments	8,427
Less amounts due in one year	445
	$ 7,982

8. Operating Leases

The Company leases substantially all of its stores, office facilities, distribution centers and equipment, under noncancelable operating leases that expire at various dates through 2025. Certain of the store lease agreements contain renewal options for additional periods of five to ten years and contain certain rent escalation clauses. The lease agreements provide primarily for the payment of minimum annual rentals, costs of utilities, property taxes, maintenance, common areas and insurance, and in some cases contingent rent stated as a percentage of gross sales over certain base amounts. Rent expense under these operating leases was approximately $144.0 million, $97.1 million and $85.0 million for fiscal 2004, 2003 and 2002, respectively. The Company entered into sale-leaseback transactions related to store fixtures, buildings and equipment that resulted in cash receipts of $35.7 million, $14.7 million and $6.4 million for fiscal 2004, 2003 and 2002, respectively.

Scheduled lease payments due (including lease commitments for 27 stores not yet opened at January 29, 2005) under noncancelable operating leases as of January 29, 2005 are as follows:

Fiscal Year *(In thousands)*	
2005	$ 185,831
2006	192,496
2007	190,603
2008	188,486
2009	185,222
Thereafter	1,555,261
	$ 2,497,899

9. Stockholders' Equity and Employee Stock Plans

Initial Public Offering During October 2002, the Company completed an initial public offering of 16,762,640 shares of common stock, including the underwriters' over-allotment, of which 5,544,000 were sold by us and 11,218,640 were sold by certain of our stockholders. Proceeds, net of $2.8 million in transaction costs, were $28.1 million. The net proceeds were used to repay outstanding borrowings under our senior secured revolving credit facility.

Stock Option Plans At January 29, 2005, the aggregate number of common shares reserved for grant under the Company's 2002 Stock Option Plan (the "Plan") is 19,866,000 shares. The stock option activity during the fiscal years ended is as follows:

	Shares Subject to Options	Weighted Average Exercise Price Per Share	Shares Subject to Exercisable Options	Weighted Average Exercise Price Per Share
Outstanding, February 2, 2002	11,831,738	$ 2.08	8,014,596	$ 2.03
Granted	4,718,538	6.70	–	–
Exercised	(393,340)	2.05	–	–
Cancelled	(397,734)	2.17	–	–
Outstanding, February 1, 2003	15,759,202	$ 3.46	8,909,490	$ 2.05
Granted	4,776,906	23.16	–	–
Exercised	(6,425,556)	2.10	–	–
Cancelled	(469,326)	3.70	–	–
Outstanding, January 31, 2004	13,641,226	$ 10.99	4,607,322	$ 2.58
Granted	380,010	31.60	–	–
Exercised	(1,532,121)	3.24	–	–
Cancelled	(384,705)	15.25	–	–
Outstanding, January 29, 2005	**12,104,410**	**$ 12.47**	**4,242,361**	**$ 5.91**

Stock options generally vest over four years in 25% increments from the date of grant and expire 10 years from the date of grant. As of January 29, 2005, there were 10,461,681 shares of common stock available for issuance pursuant to future stock option grants.

Additional information regarding options outstanding as of January 29, 2005, is as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$1.08 - $2.17	3,060,038	4.90	$ 1.99	3,011,528	$ 1.99
$6.00 - $10.48	4,095,032	7.75	6.64	562,850	8.01
$15.29 - $22.87	2,564,972	8.70	21.55	326,917	18.28
$25.07 - $36.04	2,384,368	8.99	26.19	341,066	25.23
$1.08 - $36.04	**12,104,410**	**7.48**	**$ 12.47**	**4,242,361**	**$ 5.91**

Employee Stock Purchase Plan The Company has an employee stock purchase plan which provides that eligible employees may purchase shares of the Company's common stock. There are two offering periods in a fiscal year, one ending on June 30 and the other on December 31, or as otherwise determined by the Company's compensation committee. The employee's purchase price is 85% of the lesser of the fair market value of the stock on the first business day or the last business day of the semi-annual offering period. Employees may purchase shares having a fair market value of up to $25,000 for all purchases ending within the same calendar year. No compensation expense is recorded in connection with the plan. The total number of shares issuable under the plan is 2,310,000.

There were 137,240 and 238,906 shares issued under the plan during fiscal 2004 and 2003 and 1,066,866 shares available for future issuance.

Common Stock, Class B Common Stock and Preferred Stock During fiscal 2002, the Company amended its corporate charter to, among other things, provide for the authorization of the issuance of up to 100,000,000 shares of common stock, 20,000,000 shares of Class B common stock, and 5,000,000 shares of preferred stock. Upon completion of the Company's initial public offering in fiscal 2002, the Company has two classes of common stock, the existing common stock and a new class of Class B common stock. The holders of common stock generally have rights identical to holders of Class B common stock, except that holders of common stock are entitled to one vote per share and holders of Class B common stock are entitled to ten votes per share. A related party and relatives of the related party hold all of the Class B common stock. These shares can only be held by members of this group and are not publicly tradeable. Class B common stock can be converted to common stock at the holder's option.

During fiscal 2004, the Company amended and restated its Certificate of Incorporation to increase the number of authorized shares of our common stock, par value $0.01 per share from 100,000,000 to 200,000,000 and Class B common stock, par value $0.01 per share from 20,000,000 to 40,000,000.

Note Receivable for Common Stock During fiscal 2001, stock options representing 5,724,748 shares were exercised in exchange for a note receivable due from a related party. The note receivable was repaid during fiscal 2002.

10. Income Taxes

The components of the provision for income taxes are as follows:

(In thousands)	2004	2003	2002
Current:			
Federal	$ 22,645	$ 21,543	$ 25,403
State	7,280	3,696	4,854
	29,925	25,239	30,257
Deferred:			
Federal	15,603	8,491	(4,392)
State	408	1,208	(440)
	16,011	9,699	(4,832)
Total provision	**$ 45,936**	**$ 34,938**	**$ 25,425**

The provision for income taxes differs from the amounts computed by applying the federal statutory rate as follows for the following periods:

	2004	2003	2002
Federal statutory rate	35.0%	35.0%	35.0%
State tax, net of federal benefit	4.3%	5.0%	5.0%
Other permanent items	0.7%	0.0%	0.0%
Effective income tax rate	**40.0%**	**40.0%**	**40.0%**

Components of deferred tax assets (liabilities) consist of the following as of the fiscal periods ended:

(In thousands)	2004	2003
Other accrued expenses not currently deductible for tax purposes	$ 9,643	$ 4,025
Employee benefits	6,356	4,114
Deferred rent	6,232	5,140
State net operating loss carryforwards	4,203	193
Store closings expense	3,614	1,777
Insurance	2,892	1,978
Deferred revenue	2,392	–
Property and equipment	–	144
Total deferred tax assets	35,332	17,371
Property and equipment	(14,530)	–
Inventory	(11,965)	(10,251)
Total deferred tax liabilities	(26,495)	(10,251)
Net deferred tax asset	**$ 8,837**	**$ 7,120**

The gross deferred tax asset from tax loss carryforwards of $4.2 million represents approximately $91.8 million of state net operating loss carryforwards, of which $11.2 million expires in the next ten years. The remaining $80.6 million expires between 2016 and 2024.

11. Earnings Per Common Share

Earnings per common share is calculated using the principles of SFAS No. 128, “Earnings Per Share” (“EPS”). The number of incremental shares from the assumed exercise of stock options is calculated by applying the treasury stock method. The aggregate number of shares, totaling 4,388,024, that the Company could be obligated to issue upon conversion of our $172.5 million issue price of senior convertible notes was excluded from the 2004 calculation as they were anti-dilutive. The earnings per share calculations are as follows:

Fiscal Year Ended	2004	2003	2002
(In thousands, except per share data)			
Earnings per common share – Basic:			
Net income	$ 68,905	$ 52,408	$ 38,137
Weighted average common shares outstanding	47,978	44,774	35,458
Earnings per common share	$ 1.44	$ 1.17	$ 1.08
Earnings per common share – Diluted:			
Net income	$ 68,905	$ 52,408	$ 38,137
Weighted average common shares outstanding – basic	47,978	44,774	35,458
Stock options and warrants	4,943	5,506	5,500
Weighted average common shares outstanding	52,921	50,280	40,958
Earnings per common share	$ 1.30	$ 1.04	$ 0.93

12. Investments

In April 2001, the Company entered into an Internet commerce agreement with GSI. Under the terms of this 10-year agreement, GSI is responsible for all financial and operational aspects of the Internet site which operates under the domain name “DicksSportingGoods.com,” which name has been licensed to GSI by the Company. The Company and GSI entered into a royalty arrangement that was subsequently converted into an equity ownership at a price that was less than the GSI market value per share. The equity ownership consists of restricted, unregistered common stock of GSI and warrants to purchase unregistered common stock of GSI (see Note 1). The Company recognized the difference between the fair value of the GSI stock and its cost as deferred revenue to be amortized over the 10-year term of the agreement. Deferred revenue at January 29, 2005 and January 31, 2004 was $2.8 million and $3.2 million, respectively. In total, the number of shares the Company holds represents less than 5% of GSI’s outstanding common stock.

The Company regularly evaluates the carrying value of its investment in GSI. During fiscal 2002, the carrying value of GSI exceeded the fair value and the decline in fair value was deemed to be other-than-temporary. The Company wrote down the value of the investment to its fair value, recording a non-cash charge of $2.5 million for the other-than-temporary reduction in fair value of GSI.

During fiscal 2004 and 2003, the Company realized a gain of $11.0 million and $3.5 million, respectively, resulting from the sale of a portion of the Company’s investment in GSI.

13. Retirement Savings Plan

The Company’s retirement savings plan, established pursuant to Section 401(k) of the Internal Revenue Code, covers all employees who have completed one year of service and have attained 21 years of age. Under the terms of the retirement savings plan, the Company provides a matching contribution equal to 50% of each participant’s contribution up to 10% of the participant’s compensation, and may make a discretionary contribution. Total expense recorded under the plan was $1.8 million, $1.9 million and $1.2 million for fiscal 2004, 2003 and 2002, respectively. The fiscal 2003 expense included a discretionary contribution of $0.6 million.

14. Commitments and Contingencies

The Company is involved in legal proceedings incidental to the normal conduct of its business. Although the outcome of any pending legal proceedings cannot be predicted with certainty, management believes that adequate insurance coverage is maintained and that the ultimate resolution of these matters will not have a material adverse effect on the Company’s liquidity, financial position or results of operations.

15. Supplemental Disclosure of Cash Flow Information

Interest paid by the Company totaled $5.9 million, $1.6 million and $2.7 million for fiscal 2004, 2003 and 2002, respectively. Income tax payments during fiscal 2004, 2003 and 2002 were $15.8 million, $12.4 million and $22.4 million, respectively.

16. Quarterly Financial Information (Unaudited)

Summarized quarterly financial information in fiscal years 2004 and 2003 is as follows:

(In thousands, except earnings per share)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2003				
Net sales	$ 304,728	$ 353,521	$ 338,164	$ 474,432
Gross profit	82,913	96,617	88,913	139,582
Income from operations	11,296	25,072	5,667	43,606
Net income (loss)	6,474	15,449	4,492	25,993
Net earnings (loss) per common share	$ 0.13	$ 0.31	$ 0.09	$ 0.50

(In thousands, except earnings per share)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2004				
Net sales	$ 364,207	$ 416,135	$ 541,009	$ 788,048
Gross profit	102,758	119,164	138,251	226,353
Income from operations	17,322	30,805	194	62,548
Net income (loss)	10,608	17,908	(1,956)	42,345
Net earnings (loss) per common share	$ 0.20	$ 0.34	$ (0.04)	$ 0.79

Regulation G Reconciliations

This Annual Report to Stockholders contains certain non-GAAP financial information. The following tables set forth reconciliations of that non-GAAP financial information to the most directly comparable GAAP information for the stated periods. This non-GAAP financial information includes EBITDA and ROIC.

EBITDA means earnings before interest, taxes, depreciation and amortization, and should not be considered as an alternative to net income or any other generally accepted accounting principles measure of performance or liquidity. EBITDA, as we have defined it, may not be comparable to similarly titled measures reported by other companies. EBITDA is a key metric used by the Company that provides a measurement of profitability that eliminates the effect of changes resulting from financing decisions, tax regulations, and capital investments.

ROIC means return on invested capital. ROIC is expressed as a percentage which is calculated as follows: net income plus adjustments divided by average total capital for the stated periods. Average total capital includes stockholders' equity, plus debt and capital leases plus capitalized operating leases (operating lease rent expense multiplied by a factor of 8). ROIC, as we have defined it, may not be comparable to similarly titled measures reported by other companies. ROIC is a key metric used by the Company in evaluating the efficiency of its use of capital including debt and lease commitments.

EBITDA

EBITDA	2004	2003	2002	2001	2000	1999
Net income	$ 68,905	$ 52,408	$ 38,137	$ 23,241	$ 8,411	$ 10,962
Discontinued operations	–	–	–	–	7,304	3,514
Provision for income taxes	45,936	34,938	25,425	15,494	10,476	9,650
Interest expense, net	8,009	1,831	2,864	6,241	6,963	3,520
Depreciation and amortization	37,621	17,554	14,420	12,082	9,425	8,662
EBITDA	**$ 160,471**	**$ 106,731**	**$ 80,846**	**$ 57,058**	**$ 42,579**	**$ 36,308**

EBITDA (Proforma) Fiscal 2004[1]	Year Ended January 29, 2005	Add: Merger Integration and Store Closing Costs	Less: Gain on Sale of Investment	Results Excluding Merger Integration and Gain on Sale of Investment
Net income	$ 68,905	$ 12,202	$ 6,589	$ 74,518
Provision for income taxes	45,936	8,134	4,392	49,678
Interest expense, net	8,009	–	–	8,009
Depreciation and amortization	37,621	(2,844)	–	34,777
EBITDA	**$ 160,471**	**$ 17,492**	**$ 10,981**	**$ 166,982**

[1] Presents proforma EBITDA adjusted for merger integration and store closing costs and gain on sale of investment.

EBITDA (Adjusted) Fiscal 2003[2]	Dick's Year Ended January 31, 2004	Less: Gain on Sale of Investment	Results Excluding Gain on Sale of Investment
Net income (loss)	$ 52,408	$ 2,122	$ 50,286
Provision (benefit) for income taxes	34,938	1,414	33,524
Interest expense, net	1,831	–	1,831
Depreciation and amortization	17,554	–	17,554
EBITDA	**$ 106,731**	**$ 3,536**	**$ 103,195**

[2] Presents EBITDA adjusted for the gain on sale of investment.

EBITDA (Adjusted) Fiscal 2002[3]	Dick's Year Ended February 2, 2003	Add: Write-down of Investment	Results Excluding Write-down of Investment
Net income (loss)	$ 38,137	$ (1,468)	$ 39,605
Provision (benefit) for income taxes	25,425	(979)	26,404
Interest expense, net	2,864	–	2,864
Depreciation and amortization	14,420	–	14,420
EBITDA	**$ 80,846**	**$ (2,447)**	**$ 83,293**

[3] Presents EBITDA adjusted for the write-down of investment.

Adjusted Net Income and Earnings Per Share

The Company believes the use of adjusted net income, and adjusted diluted earnings per share for fiscal 2004, 2003 and 2002 provides a further understanding of the Company's results due to the merger integration and store closing costs incurred during the current year related to the acquisition of Galyan's on July 29, 2004, the gain on sale of investment and the loss on write-down of investment in 2002. The reconciliation of adjusted net income, and adjusted diluted earnings per share to the most directly comparable GAAP financial information is presented below.

	2004	2003	2002
Net Income			
Reported net income (GAAP)	$ 68,905	$ 52,408	$ 38,137
Add: Merger integration and store closing costs, after tax	12,202	–	–
Less: Gain on sale of investment, after tax	6,589	2,122	–
Add: Loss on write-down of non-cash investment, after tax	–	–	1,468
Adjusted net income	**$ 74,518**	**$ 50,286**	**$ 39,605**
Diluted shares	52,921	50,280	40,958
Adjusted net income per diluted share	$ 1.41	$ 1.00	$ 0.97

	2004
Reported net income (GAAP)	$ 68,905
Less: Q1 and Q2 Galyan's net loss[1]	12,453
Add: Merger integration and store closing costs, after tax	12,202
Less: Gain on sale of investment, after tax	6,589
Proforma net income	**$ 62,065**

[1] The Q1 and Q2 Galyan's results exclude the operations of Galyan's from July 29, 2004 to July 31, 2004 as these amounts are included in the GAAP reported net income.

Return on Invested Capital

(Dollars in thousands)	2004	2003	2002	2001	2000	1999
Net income	$ 68,905	$ 52,408	$ 38,137	$ 23,241	$ 8,411	$ 10,962
Discontinued operations	–	–	–	–	7,304	3,514
Merger integration and store closing costs, after tax	12,202	–	–	–	–	–
(Gain) on sale / loss on write-down of non-cash investment, after tax	(6,589)	(2,122)	1,468	–	–	–
Adjusted net income	74,518	50,286	39,605	23,241	15,715	14,476
Net income for ROIC calculation	74,518	50,286	39,605	23,241	15,715	14,476
Interest expense, net, after tax	4,805	1,099	1,718	3,745	4,178	2,112
Rent expense, net, after tax	86,369	58,232	50,999	43,223	35,516	27,748
Net income for ROIC after adjustments (numerator)	$ 165,692	$ 109,617	$ 92,322	$ 70,209	$ 55,409	$ 44,336
Total stockholders' equity	$ 313,667	$ 240,894	$ 138,823	$ 61,556	$ 37,423	$ (63,901)
Total mandatorily redeemable preferred stock	–	–	–	–	–	152,170
Total stockholders' equity for ROIC calculation	313,667	240,894	138,823	61,556	37,423	88,269
Total debt	258,004	3,916	3,577	80,861	73,647	14,931
Operating leases capitalized at 8x annual rent expense	1,151,587	776,427	679,987	576,307	473,542	369,968
Total debt and operating leases capitalized at 8x annual rent expense	1,409,591	780,343	683,564	657,168	547,189	384,899
Total capital (total stockholders' equity + total debt and operating leases capitalized at 8x annual rent expense)	1,723,258	1,021,237	822,387	718,724	584,612	473,168
Average total capital (denominator)[1]	$ 1,372,247	$ 921,812	$ 770,555	$ 651,668	$ 528,890	$ 438,730
ROIC (restated)	**12.1%**	**11.9%**	**12.0%**	**10.8%**	**10.5%**	**10.1%**
ROIC using GAAP amounts (restated)[2]	11.7%	12.1%	11.8%	10.8%	10.5%	13.9%
ROIC (as previously reported)	**11.9%**	**11.8%**	**11.8%**	**10.7%**	**10.4%**	**10.2%**
ROIC using GAAP amounts (as previously reported)[2]	11.5%	12.0%	11.7%	10.7%	10.6%	14.0%

[1] Average total capital is calculated as the sum of the current and prior year ending total capital divided by two.

[2] ROIC using GAAP amounts was derived as the quotient of GAAP net income for ROIC not adjusted (numerator) and average total capital not adjusted for the mandatorily redeemable preferred stock (denominator).

The after-tax amounts were calculated using a 40% effective tax rate.

Corporate Office

300 Industry Drive
RIDC Park West
Pittsburgh, PA 15275
724-273-3400

The Dick's Sporting Goods Website

www.dickssportinggoods.com

Transfer Agent and Registrar

Wachovia Bank, National Association
Equity Services Group NC 1153
1525 West W.T. Harris Blvd., 3C3
Charlotte, NC 28262-8522

Independent Registered Public Accounting Firm

Deloitte & Touche LLP
2500 One PPG Place
Pittsburgh, PA 15222

Common Stock

The shares of Dick's Sporting Goods, Inc. common stock are listed and traded on the New York Stock Exchange (NYSE), under the symbol "DKS." The shares of the Company's Class B common stock are neither listed nor traded on any stock exchange or other market.

The number of holders of record of shares of the Company's common stock and Class B common stock as of April 11, 2005 was 146 and 10, respectively.

Quarterly Stock Price Range

Set forth below, for the applicable periods indicated, are the high and low closing sales prices per share of the Company's common stock as reported by the NYSE.

Fiscal Quarter Ended	High	Low
May 1, 2004	$ 30.78	$ 25.32
July 31, 2004	$ 34.30	$ 25.00
October 30, 2004	$ 36.84	$ 26.77
January 29, 2005	$ 38.05	$ 33.25

Note: The closing prices have been adjusted for the two-for-one stock split in the form of a stock dividend, which became effective April 5, 2004.

Dividend Policy

We have never declared or paid any cash dividends on our common stock and do not anticipate paying any cash dividends in the foreseeable future.

Non-GAAP Financial Measures

For any non-GAAP financial measures used in this report, see page 58 for a presentation of the most directly comparable GAAP financial measure and a quantitative reconciliation to that GAAP financial measure.

Annual Meeting

June 1st at 1:30 p.m.
Hyatt Regency
1111 Airport Boulevard
Pittsburgh, PA

Form 10-K

A Form 10-K is available without charge online at www.dickssportinggoods.com/investors, e-mail at investors@dcsg.com or through www.sec.gov.

It is also available upon request to:

Investor Relations
300 Industry Drive
RIDC Park West
Pittsburgh, PA 15275
724-273-3400

board of directors

(LEFT TO RIGHT)

Edward W. Stack
Director since 1984
Chairman and
Chief Executive Officer
Dick's Sporting Goods, Inc.

Emanuel Chirico
Director since 2003
Executive Vice President
and Chief Financial Officer
Phillips-Van Heusen Corporation

William J. Colombo
Director since 2002
President and
Chief Operating Officer
Dick's Sporting Goods, Inc.

David I. Fuente
Director since 1993
Previous Chairman of the Board
and Chief Executive Officer
Office Depot, Inc.

Walter Rossi
Director since 1993
Previous Chairman of the Retail
Group at Phillips-Van Heusen
Corporation and Chairman and
Chief Executive Officer of Mervyn's

Lawrence J. Schorr
Director since 1985
Chief Executive Officer
Boltara Performance Products, LLC
and Co-Managing Partner
of Levene, Gouldin & Thompson, LLP

corporate officers

Edward W. Stack
Chairman and
Chief Executive Officer

William J. Colombo
President and
Chief Operating Officer

William R. Newlin
Executive Vice President
and Chief Administrative Officer

Michael F. Hines
Executive Vice President
and Chief Financial Officer

Lee Belitsky
Vice President
Controller and Treasurer

Jay Crosson
Senior Vice President
Human Resources

Eileen Gabriel
Senior Vice President
and Chief Information Officer

Jeffrey R. Hennion
Senior Vice President
Marketing

Jerel Hollens
Senior Vice President
Supply Chain

Joseph H. Schmidt
Senior Vice President
Store Operations

Gary M. Sterling
Senior Vice President
Merchandising

Design Mizrahi Design Associates, Inc. www.mizrahidesign.com

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