2005 ANNUAL REPORT
DICK'S
SPORTING GOODS

FINANCIAL HIGHLIGHTS

Fiscal Year	2005	2004	2003
(Dollars in thousands, except per share data)			
Net sales	$ 2,624,987	$ 2,109,399	$ 1,470,845
Gross profit	737,640	586,526	408,025
Gross profit margin	28.1%	27.8%	27.7%
Selling, general and administrative expenses	556,320	443,776	314,885
Pre-opening expenses	10,781	11,545	7,499
Merger integration and store closing costs	37,790	20,336	–
Income from operations	132,749	110,869	85,641
Net Income	72,980	68,905	52,408
Adjusted Net Income [1]	$ 94,548	$ 74,518	$ 50,286
Diluted earnings per common share	1.35	1.30	$ 1.04
Adjusted Diluted earnings per common share [1]	$ 1.75	$ 1.41	$ 1.00
Diluted weighted average shares outstanding *(in thousands)*	53,979	52,921	50,280
Total stockholders' equity	$ 414,793	$ 313,667	$ 240,894
Return on invested capital	11.3%	12.1%	11.9%
EBITDA	$ 184,454	$ 160,471	$ 106,731
Adjusted EBITDA [1]	$ 219,531	$ 165,799	$ 103,195
Comparable store net sales increase	2.6%	2.6%	2.1%
Store count	255	234	163

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

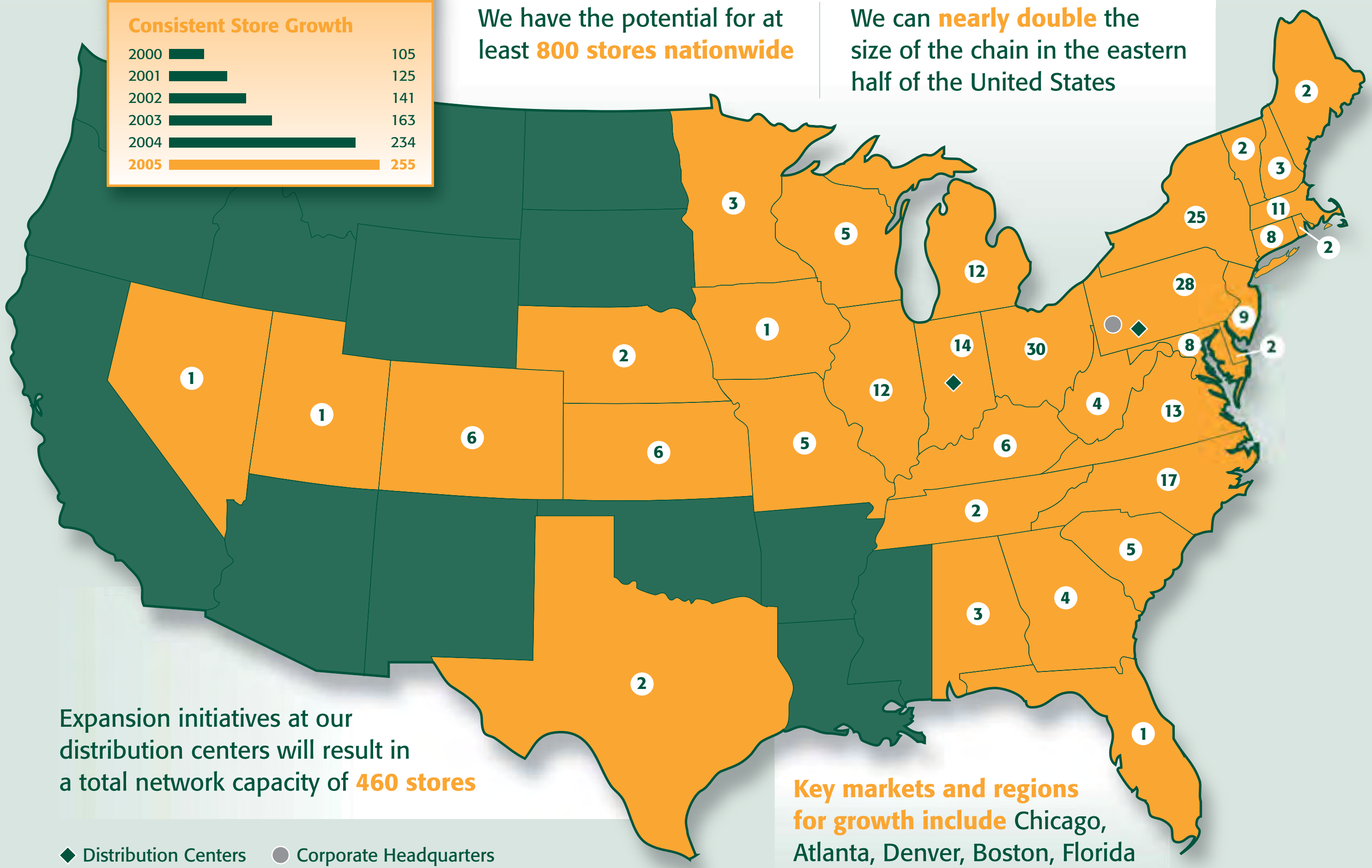
[1] Results exclude merger integration and store closing costs, and gain on sale of investment

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.

SEIZING VISIBLE GROWTH OPPORTUNITIES

Great athletes seize every opportunity to become bigger, faster, stronger and better than their competitors. At Dick's Sporting Goods, we think that great companies are built much the same way, so we work continuously to improve our operations, expand our store network and extend our reach. Our efforts have made us the most profitable publicly held sporting goods retailer in the nation for the past several years[1] as well as one of the largest chains of our kind in the United States, with 255 stores in 34 states. We move forward with a focus on continuing to improve our performance and support our growth by drawing on the strengths that have made us a best-in-class retailer.

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



DEAR FELLOW SHAREHOLDERS

One of college football's legendary coaches once noted that the mark of a true professional is the ability to consistently deliver a higher level of performance than others. While this may seem like a simple concept, executing it consistently is not an easy task. Instead, it demands unwavering discipline, focus and effort – all qualities that the team at Dick's Sporting Goods has demonstrated year after year, as we have consistently performed at a higher level than our peers.

In 2005, we continued this trend, delivering a strong performance on a number of fronts. During the year, we completed the integration of the Galyan's stores we acquired in 2004, while continuing to fuel our organic growth, create new efficiencies and pave the way for future expansion. At the same time, we maintained our consistent focus on financial results, posting improved gross, operating, EBITDA and net income margins.[2] Our net income rose 52 percent to $94.5 million, compared to proforma, combined company results in 2004.[2] Sales increased 24 percent to $2.6 billion, while comparable store sales grew 2.6 percent. This marked the sixth consecutive year in which we have posted a comparable store sales gain; moreover, in every one of those years we delivered an increase of more than 2 percent in this metric. As a result of this performance, Dick's ended the year as not only the largest full-line sporting goods retailer in the nation with $2.6 billion in sales, but also the most profitable publicly held full-line sporting goods retailer in the nation – a designation that we have held for the past several years.[3]

[2] *Results exclude merger integration and store closing costs, and gain on sale of investment*

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

Executing Our Game Plan

One of the greatest challenges that any healthy, growing company faces is that of managing its growth effectively. This begins with formulating an expansion plan that can generate meaningful, long-term value and executing that plan in a disciplined manner – all while keeping an eye on the ball of ongoing operations. At Dick's Sporting Goods, we have a tradition of growing our Company while meeting all of these criteria, and, in 2005, we once again showcased these abilities.

A defining achievement for the year was our integration of Galyan's. When we made this acquisition in July of 2004, we said that it was a strategic move for Dick's that would position us with premium real estate in a number of key new markets that offered further growth opportunity, including Chicago, Atlanta, Minneapolis and Denver. We also said that it would enable us to expand our presence in several existing markets and create valuable efficiencies in the areas of procurement and marketing. Our rapid integration of this acquisition enabled us to realize some of these efficiencies immediately and to make the acquisition nominally accretive to our 2004 earnings. In 2005, we continued this momentum, completing the conversion of the 44 Galyan's stores into

MANAGEMENT TEAM
(left to right)

William R. Newlin
Executive Vice President and Chief Administrative Officer

Michael F. Hines
Executive Vice President and Chief Financial Officer

William J. Colombo
President and Chief Operating Officer

Jeffrey R. Hennion
Senior Vice President – Marketing

Jay Crosson
Senior Vice President – Human Resources

Edward W. Stack
Chairman and Chief Executive Officer

Doug Walrod
Senior Vice President – Real Estate and Development

Gwen Manto
Executive Vice President and Chief Merchandising Officer

Eileen Gabriel
Senior Vice President and Chief Information Officer

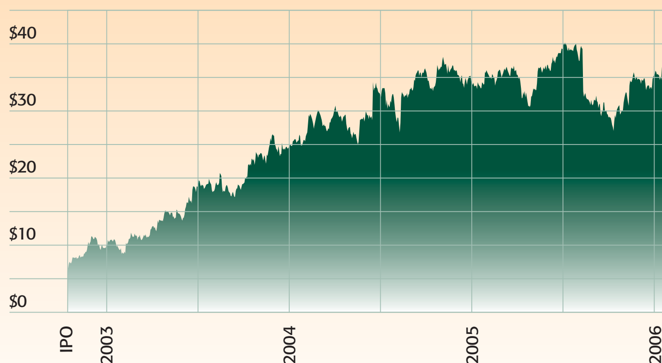
Lee Belitsky
Senior Vice President – Distribution and Transportation

Joseph H. Schmidt
Senior Vice President – Store Operations

Dick's Sporting Goods stores within nine months of making the acquisition – one quarter ahead of our plan. This was a formidable undertaking that encompassed re-merchandising, re-signing and re-setting all of the stores to mirror the merchandise assortment and layout of a Dick's store; converting the Galyan's stores' systems to our own; and launching a grand re-opening campaign in each market. We also closed the Galyan's corporate office, and adapted the former Galyan's distribution center to optimize our supply chain network. Our diligent attention to these initiatives enabled us to achieve $20 million in expected operating synergies in 2005.

While the acquisition was a major growth driver for our Company in 2005, it did not distract us from pursuing organic growth. During the year, we opened 26 new Dick's Sporting Goods stores that enabled us to enter nine new markets, including our first store in Florida, which represents the 34th state that we now serve. Much of this organic growth took place during the second half of the year, and, in fact, we opened 16 stores and relocated three stores during the third quarter alone, representing the largest single quarter store opening campaign in our Company's history.

STOCK PRICE PERFORMANCE
OCTOBER 16, 2002 IPO THROUGH FISCAL 2005



Expanding Our Playing Field

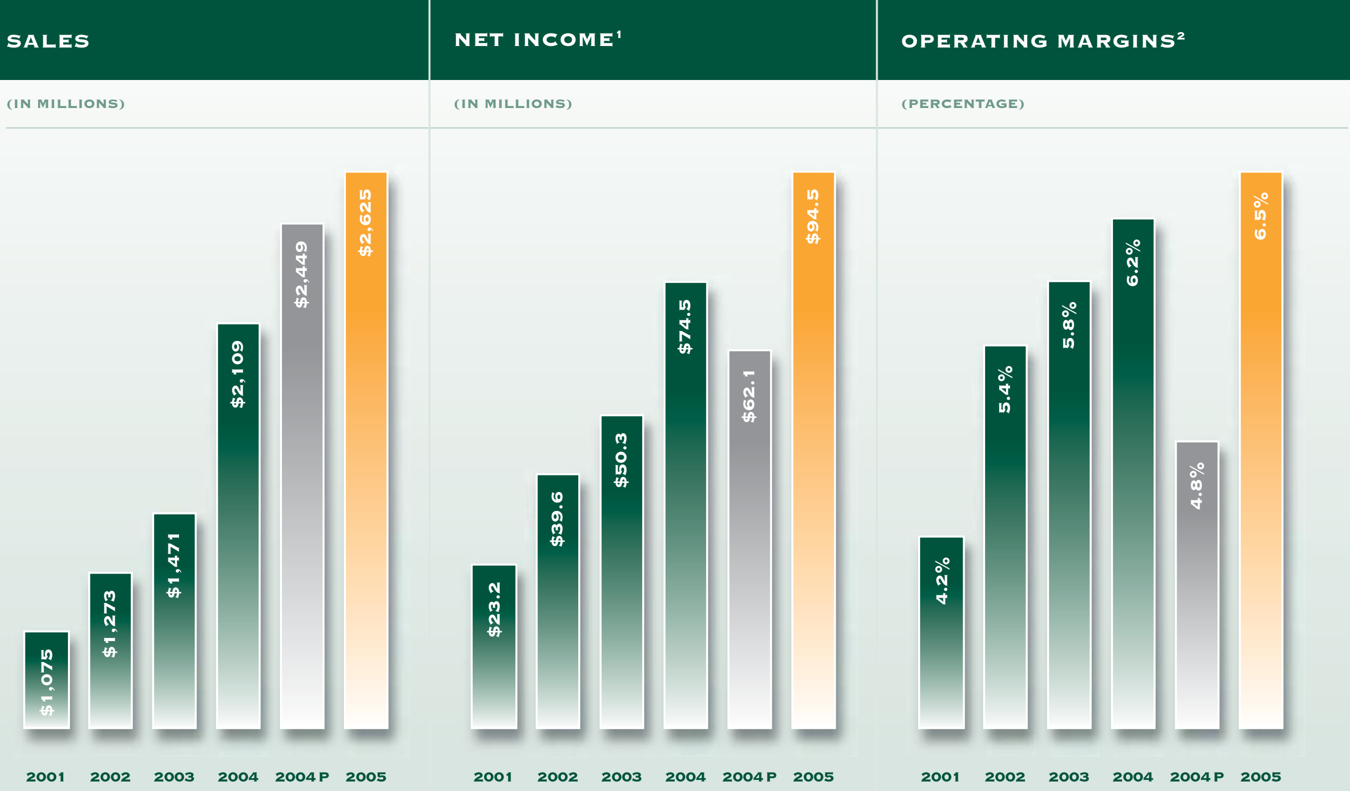
In the midst of all this activity, we continued to plan for the future. One of the primary ways that Dick's has become a best-in-class retailer is by driving the growth of our store concept. This concept centers around offering multiple "store-within-a-store" specialty areas inside each of our locations, each of which is designed to stand alone as a true

specialty store. We create compelling specialty store environments by providing customers with authentic merchandise assortments, highly knowledgeable employee teams, a first-rate selection of national and private-label brands, and a range of value-added services. These characteristics set Dick's stores apart within our industry and position us to deliver customer satisfaction in every new market we enter.

Over the years, we have demonstrated our commitment to this store concept by regularly expanding our store network. As a result, Dick's is one of the largest chains of its kind in the United States, with 255 stores in 34 states and more than 14 million square feet of retail space. As we look ahead, we believe that there is ample opportunity for us to continue to grow, and we are sharply focused on capitalizing on this potential by working to increase our store count by approximately 15 percent annually in the coming years. In the process, we plan to increase our penetration of existing markets, as well as to extend our reach into new markets.

In the past two years, we took a number of steps to set the stage for this growth. In 2004, we expanded our distribution center in Smithton, Pennsylvania; we implemented new merchandise and allocation systems; and we moved into a new headquarters location that centralized our corporate office functions under one roof. In 2005, we made enhancements to our merchandise systems to expedite the flow of merchandise from our vendors to our stores and to provide our buyers and planners with more timely data to use in the decision-making process. We also laid the groundwork to open another 40 stores in 2006 in a mix of new and established markets. And we formulated a plan to expand our distribution center in Plainfield, Indiana, which, when complete, will yield a total network capacity of 460 stores between our two distribution centers.

To support the planned growth of our store network and maximize our supply chain capacity, we began implementing a warehouse management system that will enable us to



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

[2] Results exclude merger integration and store closing costs

2004 P: Proforma results as if Galyan's had been aquired at the beginning of the period

optimize our growing infrastructure and speed merchandise to our selling floors. We also continued to develop and provide Dick's own training programs to store associates, and to extend our tradition of opening new Dick's locations with an experienced Dick's store manager. These initiatives help ensure that our team is well-versed in delivering excellent service and offering up-to-date product knowledge to our customers. Finally, we fortified our ability to pursue future growth opportunities by ending the year with no borrowings on our revolving credit facility, a reduction of $76 million compared with last year.

Outpacing the Competition

If I were to characterize the past year in a word, I would say "performance." Indeed, 2005 was a period during which our Company delivered exceptional operating and financial results, while taking steps to ensure that we can continue to outpace our competitors in the coming years. Our ability to deliver these accomplishments is the direct result of the way we think and function at Dick's, which I liken to a great athlete: continually developing our strengths and skills, and perpetually preparing for the challenges and opportunities that lie ahead. We believe that one of these opportunities is to drive our continued earnings growth. With this in mind, we are focused on increasing our operating margin by approximately 30 basis points annually, thereby fueling an estimated annual earnings growth rate of approximately 20 percent for our Company.

As we move forward, I would like to thank our employees for their dedication and hard work over the past year. I would also like to thank our vendors for their partnership, our customers for their patronage, and our shareholders for their support. Rest assured that we will continue to focus on delivering a level of performance that enables Dick's to excel within our industry.

Edward W. Stack
Chairman and Chief Executive Officer

2005 ACCOMPLISHMENTS

Performance

- Completed integration of Galyan's acquisition one quarter ahead of plan
- Delivered improved gross, operating, EBITDA and net income margins
- Increased comparable store sales by 2.6%, marking our sixth consecutive year of posting a gain of greater than 2% in this metric
- Improved our merchandise margin, leveraging our growing purchasing power and driving sales in our more than 10 private-label brands, which in 2005 accounted for a record 12% of total sales
- Achieved $20 million in synergies resulting from the Galyan's acquisition
- Ended 2005 with no borrowings on our revolving credit facility, a reduction of $76 million compared with last year
- Ended the year as the largest full-line sporting goods retailer in the nation with $2.6 billion in sales, and once again as the most profitable publicly held full-line sporting goods retailer in the nation[4]

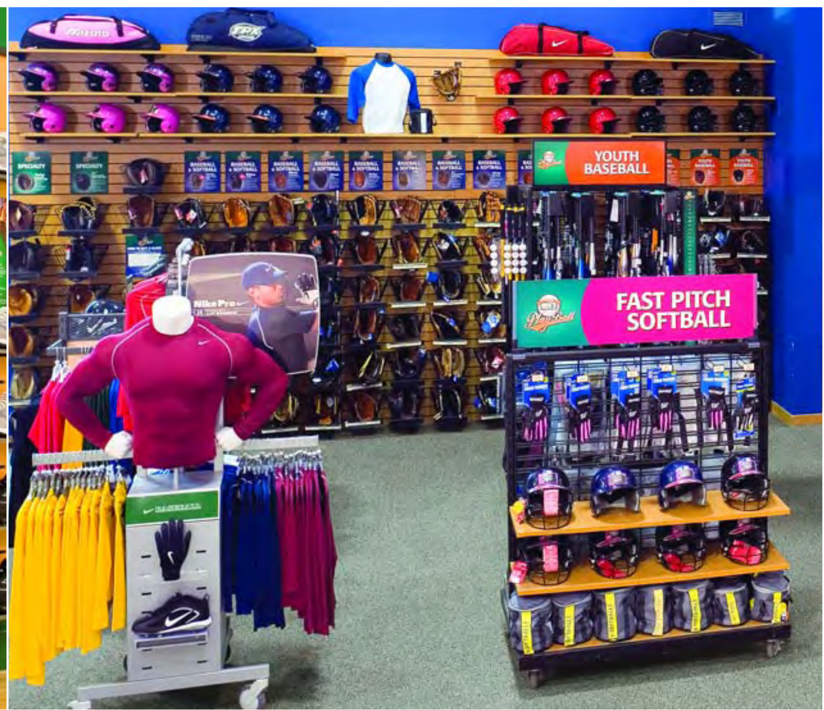
Growth

- Converted 44 Galyan's stores into Dick's Sporting Goods stores, positioning us in a number of key new markets, and increasing our presence in several existing markets
- Opened 26 new Dick's Sporting Goods stores that enabled us to enter nine new markets, including our first store in Florida, our 34th state
- Marked the largest single quarter store opening campaign in our history in the third quarter, opening 16 new locations and relocating three additional locations
- Began servicing more stores from our recently expanded Smithton, Pennsylvania distribution center

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

UNIQUE
SHOPPING EXPERIENCE

At Dick's Sporting Goods, our top priority is to serve the needs of our customers, and we've tailored our business to accomplish this goal. One of the primary ways we've done this is by employing a unique "store-within-a-store" concept that sets us apart among sporting goods retailers. In essence, each of our 255 locations houses several sports specialty stores – the Golf Pro Shop, the Lodge, the Fitness Center, Footwear, Team Sports and Athletic Apparel – all under one roof. Each of our specialty stores offers the distinct benefits of a dedicated stand-alone location, including an authentic merchandise assortment, a premier brand selection, access to value-added services, and personalized assistance from highly knowledgeable sales associates – many of whom are enthusiasts and experts in their particular sports. We combine these advantages with "one-stop" convenience, as well as the access to new products and purchasing power we enjoy as a best-in-class retail chain. The success of this concept has helped Dick's to develop a reputation for excellence that draws our customers back for their sporting goods needs in every season of the year.



Every Season Starts at Dick's

Sports enthusiasts know that every season truly does start at Dick's – from golf season, to hunting, fishing and camping seasons, to those exhilarating times of year when every team sport first kicks off. No matter what the season, our mission at Dick's is to carry the latest selection of authentic sports merchandise so our customers can excel in the sports and outdoor activities they love all throughout the year.

THE GOLF PRO SHOP

THE LODGE

FITNESS CENTER

FOOTWEAR

TEAM SPORTS

ATHLETIC APPAREL

In-store driving ranges and putting greens enable customers to test-drive the latest merchandise releases.

Our suite of golf-related services encompasses everything from club repair and re-gripping to arranging private lessons with our pros.

THE GOLF PRO SHOP

The quality of a golf swing is the result of a combination of factors – strength, agility, discipline and concentration, to name just a few. In Dick's Golf Pro Shop, we recognize that technology can also play a leading role, and we make it our business to be a leader in providing the most up-to-date golf equipment in the industry. Our selection includes state-of-the-art clubs, balls and shoes, as well as a wide array of high-quality golf apparel, outerwear and training devices for the beginner through the enthusiast golfer. We represent the premier golf brands that our customers trust, including TaylorMade, Callaway, Titleist, FootJoy and our own Walter Hagen and Acuity lines.

Our Golf Pro Shop experience includes broadcasts of golf tournaments and educational golf programming.

PGA golf professionals provide our customers with informed assistance in selecting the right products for their needs.

We draw on our roots as a local bait and tackle shop to deliver authentic merchandise for every season.

Tried-and-true brands, such as Coleman, Shakespeare, The North Face, and Old Town Canoe and Kayak, deliver the dependable quality our customers demand.

Value-added services, like refilling CO_2 tanks, mounting rifle scopes, cutting arrows, and selling hunting and fishing licenses, make Dick's the outdoor enthusiast's one-stop shop. Customers can even test products in our in-store archery ranges.

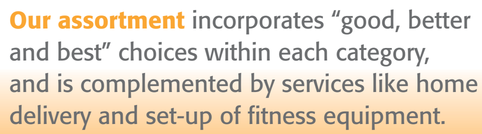
We feature exclusive, private-label equipment, outerwear, apparel and footwear products under our own Field & Stream and Northeast Outfitters brands.

THE LODGE

Outdoor pursuits like hunting, fishing and camping are more than just a hobby – they're a way of life that beckons throughout the year. The Lodge has the authentic equipment necessary for sportsmen of all skill levels to enjoy a changing spectrum of activities, terrain and weather conditions from winter through fall. Dick's Sportsman's Lodge is staffed by seasoned outdoor enthusiasts whose firsthand experience ranges from camping and fishing to kayaking and archery. These knowledgeable associates know precisely which equipment is best suited for every need, and they offer a combination of proven advice and personal wisdom that our customers have come to trust and expect.

Certified bike technicians make repairs and showcase our brand selection, which includes Diamondback, Iron Horse, Mongoose and Dick's own Quest line.

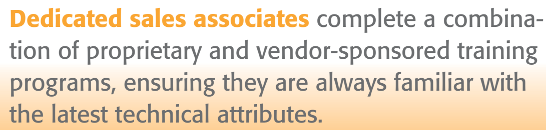
Certified fitness trainers in our stores provide qualified advice on the best equipment for individual needs.



Our assortment incorporates “good, better and best” choices within each category, and is complemented by services like home delivery and set-up of fitness equipment.

FITNESS CENTER

The Fitness Center at Dick’s is a comprehensive fitness environment where both fitness beginners and experts can get the equipment, apparel and services they need to fulfill their personal objectives. We employ fitness trainers in our stores, who are certified by the International Fitness Professionals Association. These individuals understand every step of the fitness chain, so they can offer informed guidance on the most effective training techniques and equipment for customers at every level. Our exceptional merchandise selection encompasses the nation’s preeminent brands, such as Horizon, Bowflex and Everlast. We complement this assortment with our own offering of high-performance fitness equipment under the Fitness Gear name.



Dedicated sales associates complete a combination of proprietary and vendor-sponsored training programs, ensuring they are always familiar with the latest technical attributes.

We deliver a **winning combination** of premier brands, technology-driven products and an extensive merchandise assortment that includes specialty footwear for every season.

We strive to be among the **first-to-market** with new releases, making us a leader in the delivery of the latest athletic footwear.

We feature a vast selection of **technical performance running shoes** that are carefully engineered to provide athletes with the best fit and ride for their specific foot types.

FOOTWEAR

Leading manufacturers of athletic footwear, including Nike, Asics, New Balance and adidas, work to meet the needs of today's athletes by continually developing sophisticated new products that unite next-generation materials with cutting-edge technologies. A prime example is the revolutionary new Nike Air Max 360 running shoe, which utilizes a unique foamless midsole that dramatically reduces the shoe's weight, increases its durability and enables wearers to run in unsurpassed comfort on a cushion of 100 percent air. The Footwear store at Dick's is a full-service specialty location where customers can select from among the newest and most technologically advanced athletic shoes available. In addition to our broad merchandise assortment, our customers have the advantages of special vendor promotions and an authentic in-store track where they can put their potential purchases through their paces.

Technology advances daily, and so does our assortment of the latest backboards, baseball bats, football and other equipment for every major team sport.

Many of our **sales associates are sports enthusiasts** who have hands-on experience with the merchandise we sell.

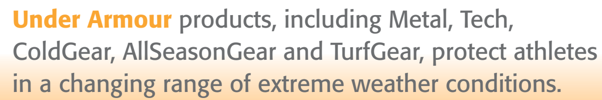
Our **ScoreCard loyalty program** rewards repeat shoppers with special discounts and promotional offers.

We're a **year 'round resource** where athletes can always get the merchandise they require to train and compete in their sports.

TEAM SPORTS

The Team Sports store at Dick's is a one-stop destination where athletes can get the gear they need to hit the playing field. Our merchandise assortment includes products from industry leading manufacturers, such as Nike, adidas, Under Armour, Mizuno and Wilson. We round these out with our own private-label brands, including our PowerBolt line, which provides our customers with a combination of high quality and great value. And since we believe that shopping for sporting goods should be convenient and fun, we employ careful store layouts to differentiate among the "good, better and best" items within each category, and we employ clear signage to help players, coaches and parents make quick and accurate product comparisons.

Our **broad assortment of women's athletic apparel** features garments for children and adults to use for competition, team sports and fitness.



Under Armour products, including Metal, Tech, ColdGear, AllSeasonGear and TurfGear, protect athletes in a changing range of extreme weather conditions.

ATHLETIC APPAREL

There are a host of factors that can influence the caliber of an athlete's performance, and personal comfort is one of them. That's why top manufacturers of athletic apparel offer a growing selection of products that integrate space-age fabrics and emerging sports technology to provide the ultimate in comfort and performance across a spectrum of sports. For example, Nike Sphere products are designed to help athletes regulate their body temperatures even in demanding climates. Innovations like these enable today's athletes to achieve enhanced performance, as well as to engage in their favorite sports on a year 'round basis. The Athletic Apparel store at Dick's offers a broad assortment of cutting-edge athletic clothing for men, women and children that help athletes to look and feel their best. This assortment includes products from Under Armour, Nike, and adidas, as well as Dick's exclusive private-label brands, Ativa and Fitness Gear, which incorporate advanced technology, while offering our customers exceptional quality and value.

CREATING THE CAPACITY TO GROW

2004

Moved into a new headquarters location, centralizing all corporate office functions under one roof

Implemented new merchandise and allocation systems

Expanded Smithton, Pennsylvania distribution center, giving us the ability to support 230 stores

2005

Introduced the Manhattan transportation and warehouse management system:

- Implemented the transportation management segment centrally
- Implemented the warehouse management segment in our Plainfield, Indiana distribution center
- Manhattan is a highly scalable supply chain platform geared to drive productivity and improve supply chain response times

Applied new reporting processes to provide our merchandising organization with more detailed and timely data

2006, Planned

Expand Plainfield, Indiana distribution center, extending our total supply chain capacity to 460 stores

Implement Manhattan in our Smithton, Pennsylvania distribution center

Ongoing

Take measures to ensure that each new store is opened with an experienced Dick's manager

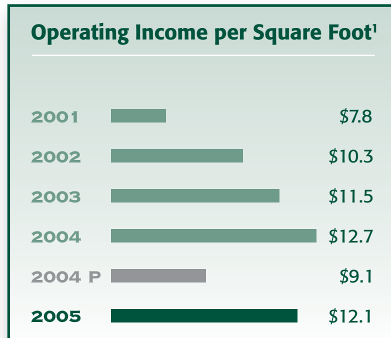
Provide a mix of proprietary and vendor-sponsored product training to store associates

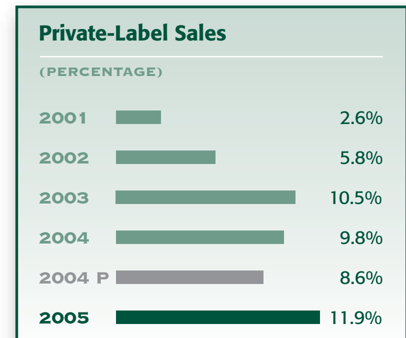
Continue to build Senior Management team, placing people with relevant experience in key roles

PLANNING AHEAD

Dick's enters 2006 with a brand that resonates with consumers and is backed by strong relationships with the industry's top manufacturers of authentic sporting goods merchandise. We have a solid balance sheet, proven store operation and growth strategies, and an experienced management team. What's more, we operate in an industry that affords us significant opportunity to increase our presence in established geographic markets and to penetrate new markets.

In 2006, we plan to open 40 new stores. To support this growth, we will finish implementing a new warehouse management system in our distribution centers, which will optimize our infrastructure and speed merchandise to our selling floors. In addition, in 2006, we will expand our Plainfield, Indiana distribution center. When these initiatives are complete, we will have the supply chain capacity to serve approximately 460 stores.





[1] Results exclude merger integration and store closing costs

2004 P: Proforma results as if Galyan's had been aquired at the beginning of the period

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FIVE–YEAR FINANCIAL SUMMARY

Fiscal Year	**2005**	2004	2003	2002	2001
(Dollars in thousands, except per share and sales per square foot data)					
Statement of Income Data:					
Net sales	$ 2,624,987	$ 2,109,399	$ 1,470,845	$ 1,272,584	$ 1,074,568
Cost of goods sold [1]	1,887,347	1,522,873	1,062,820	934,956	810,801
Gross profit	737,640	586,526	408,025	337,628	263,767
Selling, general and administrative expenses	556,320	443,776	314,885	262,755	213,065
Merger integration and store closing costs	37,790	20,336	–	–	–
Pre-opening expenses	10,781	11,545	7,499	6,000	5,726
Income from operations	132,749	110,869	85,641	68,873	44,976
(Gain) on sale / loss on write-down of non-cash investment [2, 3]	(1,844)	(10,981)	(3,536)	2,447	–
Interest expense, net	12,959	8,009	1,831	2,864	6,241
Other income	–	(1,000)	–	–	–
Income before income taxes	121,634	114,841	87,346	63,562	38,735
Provision for income taxes	48,654	45,936	34,938	25,425	15,494
Net income	**$ 72,980**	**$ 68,905**	**$ 52,408**	**$ 38,137**	**$ 23,241**
Earnings per Common Share [4]:					
Net income per common share – Basic	$ 1.47	$ 1.44	$ 1.17	$ 1.08	$ 0.73
Net income per common share – Diluted	$ 1.35	$ 1.30	$ 1.04	$ 0.93	$ 0.65
Weighted average number of common shares outstanding *(in thousands)*:					
Basic	49,792	47,978	44,774	35,458	32,018
Diluted	53,979	52,921	50,280	40,958	35,736
Store Data:					
Comparable store net sales increase [5]	2.6%	2.6%	2.1%	5.1%	3.6%
Number of stores at end of period	255	234	163	141	125
Total square feet at end of period	14,650,459	13,514,869	7,919,138	6,807,021	6,149,044
Net sales per square foot [6]	$ 188	$ 195	$ 193	$ 192	$ 186
Other Data:					
Gross profit margin	28.1%	27.8%	27.7%	26.5%	24.6%
Selling, general and administrative percentage of net sales	21.2%	21.0%	21.4%	20.7%	19.8%
Operating margin	5.1%	5.3%	5.8%	5.4%	4.2%
Inventory turnover [7]	3.42x	3.56x	3.69x	3.83x	3.74x
Depreciation and amortization	$ 49,861	$ 37,621	$ 17,554	$ 14,420	$ 12,082
Balance Sheet Data:					
Inventories	$ 535,698	$ 457,618	$ 254,360	$ 233,497	$ 201,585
Working capital [8]	$ 142,748	$ 128,388	$ 136,679	$ 55,102	$ 68,957
Total assets	$ 1,187,789	$ 1,085,048	$ 543,360	$ 413,529	$ 365,517
Total debt including capital lease obligations	$ 181,201	$ 258,004	$ 3,916	$ 3,577	$ 80,861
Retained earnings (accumulated deficit) – including accretion of redeemable preferred stock	$ 202,842	$ 129,862	$ 60,957	$ 8,549	$ (29,588)
Total stockholders' equity	$ 414,793	$ 313,667	$ 240,894	$ 138,823	$ 61,556

[1] Cost of goods sold includes the cost of merchandise, occupancy, freight and distribution costs, and shrink expense.

[2] 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.

[3] 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.

[4] 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.

[5] Comparable store sales begin in a store's 14th full month of operations after its grand opening. Comparable store sales are for stores that opened at least 13 months prior to the beginning of the period noted. Stores that were closed or relocated during the applicable period have been excluded from comparable store sales. Each relocated store is returned to the comparable store base after its 14th full month of operations. The former Galyan's stores will be included in the comparable store base beginning in the second quarter of 2006.

[6] Calculated using net sales and gross square footage of all stores open at both the beginning and the end of the period. Gross square footage includes the storage, receiving and office space that generally occupies approximately 18% of total store space.

[7] Calculated as cost of goods sold divided by the average of the last five quarters' ending inventories.

[8] Defined as current assets less current liabilities.

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

The following discussion and analysis should be read in conjunction with the "Five–Year Financial Summary" 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 33, "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. The Consolidated Statements of Income include the operation of Galyan's from the date of acquisition forward for the year ended January 29, 2005.

As of January 28, 2006 we operated 255 stores, with approximately 14.7 million square feet, in 34 states, the majority of which are located primarily throughout the Eastern half of the United States.

Executive Summary

The Company reported net income for the year ended January 28, 2006 of $73.0 million or $1.35 per diluted share as compared to net income of $68.9 million and earnings per diluted share of $1.30 in 2004. 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 former Galyan's stores that were acquired on July 29, 2004 and an increase in gross profit margins partially offset by an increase in selling, general and administrative expenses as a percentage of sales, a $5.5 million after tax decrease in the gain on sale of investment and a $10.5 million after tax increase in merger integration and store closing costs associated with the acquisition of Galyan's.

Net sales increased 24% to $2,625 million in 2005 from $2,109 million in 2004. This increase resulted primarily from a comparable store sales increase of 2.6%, or $36.7 million, and $478.9 million from the net addition of new stores in the last five quarters which are not included in the comparable store base, and the former Galyan's stores which will be included in the comparable store base beginning in the second quarter of 2006.

Income from operations increased 20% to $132.7 million in 2005 from $110.9 million in 2004 due primarily to the increase in gross profit, partially offset by an increase in merger integration and store closing costs and an increase in selling, general and administrative costs.

As a percentage of net sales, gross profit increased to 28.10% in 2005 from 27.81% in 2004. The gross profit percentage increased primarily due to an increase in the merchandise margin percentage partially offset by higher occupancy costs in the former Galyan's stores and an increase in freight expense.

Selling, general and administrative expenses increased by 15 basis points. The increase as a percentage of sales was due primarily to an increase in store payroll expense as the former Galyan's stores have higher payroll expense as a percentage of sales than the Dick's stores, partially offset by the leverage obtained on corporate administration expenses due to the synergies obtained from the acquisition of Galyan's and lower bonus expense this year.

We ended the year with no borrowings on our line of credit as compared to $76.1 million of outstanding borrowings at January 29, 2005. The balance last year was due primarily to using the line to fund a portion of the Galyan's acquisition. Excess borrowing availability totaled $275.6 million as of January 28, 2006.

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, as well as the basis point change in percentage of net sales from the prior year's period:

Fiscal Year	2005[1]	2004[1]	2003[1]	Basis Point Increase/ (Decrease) in Percentage of Net Sales from Prior Year 2004–2005[A]	Basis Point Increase/ (Decrease) in Percentage of Net Sales from Prior Year 2003–2004[A]
Net sales[1]	100.00%	100.00%	100.00%	N/A	N/A
Cost of goods sold, including occupancy and distribution costs[2]	71.90	72.19	72.26	(29)	(7)
Gross profit	28.10	27.81	27.74	29	7
Selling, general and administrative expenses[3]	21.19	21.04	21.41	15	(37)
Merger integration and store closing costs[4]	1.44	0.96	–	48	96
Pre-opening expenses[5]	0.41	0.55	0.51	(14)	4
Income from operations	5.06	5.26	5.82	(20)	(56)
Gain on sale of investment[6]	(0.07)	(0.52)	(0.24)	(45)	28
Interest expense, net[7]	0.49	0.38	0.12	11	26
Other income	–	(0.05)	–	(5)	5
Income before income taxes	4.63	5.44	5.94	(81)	(50)
Provision for income taxes	1.85	2.18	2.38	(33)	(20)
Net income	**2.78%**	**3.27%**	**3.56%**	**(49)**	**(29)**

[A] Column does not add due to rounding.

[1] 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.

[2] 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.

[3] 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.

[4] 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. Beginning in the third quarter of 2005, the balance of the merger integration and store closing costs, which relate primarily to accretion of discounted cash flows on future lease payments on closed stores, was included in rent expense.

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

[6] 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.

[7] Interest expense, net, results primarily from interest on our senior convertible notes and Credit Agreement borrowings partially offset by interest income.

Fiscal 2005 Compared to Fiscal 2004

Net Income Net income increased to $73.0 million in 2005 from $68.9 million in 2004. This represented an increase in diluted earnings per share of $0.05, or 4% to $1.35 from $1.30. The increase in earnings was attributable to an increase in net sales and gross profit margin percentage, partially offset by an increase in selling, general and administrative expenses as a percentage of sales, a $5.5 million after tax decrease in the gain on sale of investment and a $10.5 million after tax increase in merger integration and store closing costs associated with the acquisition of Galyan's.

Net Sales Net sales increased 24% to $2,625 million in 2005 from $2,109 million in 2004. This increase resulted primarily from a comparable store sales increase of 2.6%, or $36.7 million, and $478.9 million from the net addition of new stores in the last five quarters which are not included in the comparable store base and the former Galyan's stores which will be included in the comparable store base beginning in the second quarter of 2006.

The increase in comparable store sales is mostly attributable to sales increases in men's and women's apparel, exercise, athletic and casual footwear, socks, licensed merchandise, baseball and accessories and guns, partially offset by lower sales of paintball, in-line skates, bikes, hockey and hunting.

Private Label Sales For the year ended January 28, 2006, private label product sales in total for all stores represented 11.9% of sales, an increase from last year's 8.6% 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 2005, we opened 26 stores, relocated four stores and closed five stores. The store closures were a result of the Galyan's acquisition. As of January 28, 2006 we operated 255 stores, with approximately 14.7 million square feet, in 34 states.

Income from Operations Income from operations increased 20% to $132.7 million in 2005 from $110.9 million in 2004 due primarily to the increase in gross profit, partially offset by an increase in merger integration and store closing costs and an increase in selling, general and administrative costs.

Gross profit increased 26% to $737.6 million in 2005 from $586.5 million in 2004. As a percentage of net sales, gross profit increased to 28.10% in 2005 from 27.81% in 2004. The gross profit percentage increased primarily due to improved merchandise margins in the majority of the Company's product categories, partially offset by higher occupancy costs as a percentage of sales (50 basis points) due primarily to higher occupancy costs in the former Galyan's stores, and higher freight expense as a percentage of sales (39 basis points). The increase in freight expense was primarily due to an increase in the fuel surcharge charged by our carriers.

Selling, general and administrative expenses increased to $556.3 million in 2005 from $443.8 million in 2004 due primarily to an increase in store count and continued investment in corporate and store infrastructure.

The 15 basis point increase over last year was due primarily to an increase in store payroll costs (64 basis points), a portion of which is due to the negative leverage from lower sales in the former Galyan's stores, partially offset by lower bonus expense (28 basis points) and a decrease in corporate payroll expense (12 basis points), a portion of which is due to the synergies obtained from the acquisition of Galyan's.

Merger integration and store closing costs associated with the purchase of Galyan's increased to $37.8 million in 2005 from $20.3 million in 2004. The increase is primarily due to closing Dick's stores in overlapping markets and advertising the re-branding and re–grand opening of the former Galyan's stores.

Pre-opening expenses decreased by $0.7 million to $10.8 million in 2005 from $11.5 million in 2004. Pre-opening expenses were for the opening of 26 new stores and relocation of four stores in 2005 compared to the opening of 29 new stores and relocation of three stores in 2004. Pre-opening expenses in any year fluctuate depending on the timing and number of store openings and relocations.

Gain on Sale of Investment Gain on sale of investment was $1.8 million in 2005 as compared to $11.0 million in 2004. 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 $5.0 million to $13.0 million in 2005 from $8.0 million in 2004 due primarily to higher interest rates and higher average borrowings on the Company's senior secured revolving credit facility.

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 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 8.6% of proforma 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 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 27.81% in 2004 from 27.74% 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) as fewer funds were tied directly to advertising expense, 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 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 21.41% in 2003 to 21.04% 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 associated with the purchase of Galyan's were $20.3 million 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 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.

Liquidity and Capital Resources

Our primary capital requirements are for working capital, capital improvements and to support expansion plans, as well as for various investments in store remodeling, store fixtures and ongoing infrastructure improvements. The Company's main source of liquidity in 2005 was our net cash provided from operations. The main sources of liquidity in 2004 were our cash provided from operations; borrowings under the credit facility; and net proceeds from the issuance of the convertible notes.

The change in cash and cash equivalents is as follows:

Fiscal Year Ended	January 28, 2006	January 29, 2005	January 31, 2004
Net cash provided by operating activities	$ 169,530	$ 107,841	$ 99,214
Net cash used in investing activities	(93,718)	(414,772)	(46,109)
Net cash (used in) provided by financing activities	(58,134)	232,143	29,449
Net increase (decrease) in cash and cash equivalents	**$ 17,678**	**$ (74,788)**	**$ 82,554**

Operating Activities

Cash flow from operations is seasonal in our business. Typically, we use cash flow from operations to increase inventory in advance of peak selling seasons, with the pre-Christmas inventory increase being the largest. In the fourth quarter, inventory levels are reduced in connection with Christmas sales and this inventory reduction, combined with proportionately higher net income, typically produces significantly positive cash flow.

Cash provided by operating activities increased by $61.7 million in 2005 to $169.5 million, which consists primarily of higher net income of $4.1 million and an increase in the change in assets and liabilities of $53.7 million.

Changes in Assets and Liabilities The primary factors contributing to the increase in the change in assets and liabilities were the change in accounts receivable, accounts payable and income taxes payable, partially offset by an increase in the change in inventory.

The change in accounts receivable was primarily as result of the decrease in the income tax receivable due to the net operating losses acquired as a result of the Galyan's transaction. The increase in the change in accounts payable is primarily due to the increase in holiday receipts remaining in accounts payable as compared to the prior year along with an increase in inventory in-transit at year-end 2006 compared to 2005. The increase in the change in income taxes payable was primarily related to the usage of the net operating losses in the current year as noted above. Partially offsetting these cash inflows is the increase in inventory which is primarily due to the increase in inventory in-transit.

The cash flows from operating the Company's stores is a significant source of liquidity, and will continue to be used in 2006 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 decreased by $321.1 million in 2005 to $93.7 million due primarily to the acquisition of Galyan's in 2004, which cost $369.6 million. Net capital expenditures increased $23.9 million due to an increase in capital expenditures of $7.1 million and a decrease in sale-leaseback proceeds of $16.8 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 28, 2006**	January 29, 2005	January 31, 2004
New, relocated and remodeled stores	$ 43,911	$ 72,542	$ 43,753
Future stores	10,580	1,402	6,922
Existing stores	25,502	5,719	6,642
Information systems	19,288	12,400	8,860
Administration and distribution	12,721	12,881	887
	$ 112,002	**$ 104,944**	**$ 67,064**

During 2005, we opened 26 stores and relocated four stores compared to opening 29 stores and relocation of three stores during 2004. 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. There were no building sale-leasebacks during 2005. 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 decrease in new, relocated and remodeled stores capital expenditures is primarily due to a decrease in the number of stores with construction allowances in 2005 and last year's conversion of the Galyan's stores to Dick's stores. The increase in future store capital spend is due primarily to the greater number of stores expected to open in 2006. Existing store capital spend increased as a result of exterior sign conversions for the former Galyan's stores along with updated information technology assets in the existing stores as we continue to upgrade our infrastructure and technology.

The Company also generated $1.9 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 2005 as compared to $12.0 million in proceeds during 2004.

Financing Activities

Cash used in financing activities increased by $290.3 million to $58.1 million primarily reflecting higher payments under the Credit Agreement in 2005, and the impact of the net proceeds from the senior convertible notes in 2004. Financing activities consisted primarily of the net payments under the Credit Agreement and proceeds from transactions in the Company's common stock. The Company received proceeds of $11.1 million and $8.3 million from transactions in the Company's stock option and employee stock purchase plan in 2005 and 2004, respectively.

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 $350 million Credit Agreement. 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) at 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 expires May 30, 2008.

There were no outstanding borrowings under the Credit Agreement as of January 28, 2006. Borrowings under the Credit Agreement were $76.1 million as of January 29, 2005. Total remaining borrowing capacity, after subtracting letters of credit as of January 28, 2006 and January 29, 2005 was $275.6 million and $184.1 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 is 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 28, 2006, the Company was in compliance with the terms of the Credit Agreement.

Cash requirements in 2006, 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 40 new stores and relocate two stores during 2006. 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 capital expenditures, net of deferred construction allowances and proceeds from sale leaseback transactions, to be approximately $90 million in 2006.

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 2006. 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 28, 2006 relate to operating lease obligations, future minimum guaranteed contractual payments 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 28, 2006, 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, net of discount (see Note 7)	$ 172,500	$ –	$ –	$ –	$ 172,500
Capital lease obligations (see Note 7)	7,909	97	240	413	7,159
Other long-term debt (see Note 7)	792	84	94	101	513
Interest payments	22,083	4,888	9,748	1,494	5,953
Operating lease obligations (see Note 8)	2,881,538	218,824	464,294	453,289	1,745,131
Future minimum guaranteed contractual payments (see Note 14)	31,850	500	2,250	3,200	25,900
Total contractual obligations	**$ 3,116,672**	**$ 224,393**	**$ 476,626**	**$ 458,497**	**$ 1,957,156**

The note references above are to the Notes to Consolidated Financial Statements.

The following table summarizes the Company's other commercial commitments, including both on- and off-balance sheet arrangements, in effect at January 28, 2006:

	Total	Less than 1 year
(Dollars in thousands)		
Other commercial commitments:		
Documentary letters of credit	$ 4,356	$ 4,356
Standby letters of credit	13,430	13,430
Total other commercial commitments	**$ 17,786**	**$ 17,786**

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

Outlook

Full Year 2006 – (53-Week Year) Comparisons to Fiscal 2005 – (52-Week Year)

- Based on an estimated 55 million shares outstanding, the Company anticipates reporting earnings per share of approximately $1.77 – 1.81 (which includes $0.27 of stock option expense per share).
- The earnings per share outlook includes the effect of the Company's adoption of SFAS 123R as of January 29, 2006. During 2006, the Company expects to incur approximately $25 million of stock option expense on a pre-tax basis, or $0.27 per share after tax.
- Comparable store sales are expected to increase approximately 3% on a 52-week to 52-week comparative basis. The converted Galyan's stores will be included in the comparable store base beginning in the second quarter of fiscal 2006.
- The Company expects to open 40 new stores and relocate two stores in 2006.

First Quarter 2006

- Based on an estimated 55 million shares outstanding, the Company anticipates reporting earnings per share of $0.15 – 0.17 (which includes $0.07 of stock option expense per share and $0.04 of store relocation expense per share).
- Comparable store sales are expected to increase approximately 3–5%.
- The Company expects to open seven new stores and relocate two stores in the first quarter.

Newly Issued Accounting Standards In December 2004, the FASB issued Statement No. 123R, "Share-Based Payment," which is a revision of FASB Statement No. 123, "Accounting for Stock-Based Compensation." As permitted by FASB No. 123, the Company currently accounts for share-based payments to employees using APB No. 25's intrinsic value method and, as such, recognizes no compensation cost for employee stock options or our employee stock purchase plan. Accordingly, the adoption of SFAS 123R's fair value method will have an impact on the Company's results of operations, although it will have no impact on the Company's overall financial position or cash flows. Had the Company adopted SFAS 123R in prior periods, the impact of that standard for years ended January 28, 2006 and January 29, 2005 would have approximated the impact of FASB No. 123 as described in the disclosure of proforma net income and earnings per share in Note 1 of the Consolidated Financial Statements. SFAS 123R also requires the benefits of tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. While the Company cannot estimate what those amounts will be in the future (because they depend on, among other things, when employees exercise stock options), the amount of operating cash flows recognized for such excess tax deductions were $14.7 million, $15.9 million and $29.9 million during fiscal 2005, 2004 and 2003, respectively. The Company will adopt the new requirements using the modified prospective transition method beginning in fiscal 2006.

In October 2005, the FASB issued FASB Staff Position (FSP) FAS 13-1, "Accounting for Rental Costs Incurred during a Construction Period." This FSP requires rental costs associated with operating leases that are incurred during a construction period to be recognized as rental expense. The Company historically capitalized rental costs incurred during a construction period. The guidance permits either retroactive or prospective treatment for periods beginning after December 15, 2005. We will prospectively change our policy from capitalization to expensing beginning in fiscal 2006. The adoption of this FSP will not have a material effect on the Company's consolidated financial statements.

In November 2004, the FASB issued Statement No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4" ("SFAS 151"). SFAS 151 clarifies that abnormal inventory costs such as costs of idle facilities, excess freight and handling costs, and wasted materials are required to be recognized as current period charges. The provisions of SFAS 151 are effective for fiscal years beginning after June 15, 2005. The adoption of SFAS 151 in fiscal 2006 is not expected to have a material effect on the Company's consolidated financial statements.

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 are tested for impairment on an annual basis. Our evaluation of goodwill 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 was accounted for under the purchase method of accounting. The assets and liabilities of Galyan's were adjusted to their fair values and the excess of the purchase price over the net assets acquired was recorded as goodwill. The determination of fair value involved the use of an independent appraisal, estimates and assumptions which we believe provided a reasonable basis for determining fair value.

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 includes 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 2006 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 facilities; 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 the operation and implementation of new management information systems; risks relating to operational and financial restrictions imposed by our Credit Agreement; factors associated with our pursuit of strategic acquisitions; risks and uncertainties associated with assimilating acquired companies; 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 in 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 except as may be required by the securities laws.

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 2006 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/or with assimilating acquired companies and the fact that lease liabilities associated with store closures due 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. There were no borrowings outstanding under the senior secured revolving credit facility as of January 28, 2006. Outstanding borrowings under the senior secured revolving credit facility were $76.1 million as of January 29, 2005. 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 $0.8 million based upon fiscal 2005 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.

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 36.

Report of Management on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of January 28, 2006. Management's assessment of the effectiveness of our internal control over financial reporting as of January 28, 2006 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm.

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON CONSOLIDATED FINANCIAL STATEMENTS

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 28, 2006 and January 29, 2005, 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 28, 2006. 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 28, 2006 and January 29, 2005, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 28, 2006, 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 28, 2006, 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 20, 2006 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 20, 2006

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors and Stockholders of Dicks Sporting Goods, Inc.

We have audited management's assessment, included in the accompanying *Report of Management 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 28, 2006, based on criteria established in *Internal Control – Integrated Framework,* issued by the Committee of Sponsoring Organizations of the Treadway Commission. 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 28, 2006, 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 28, 2006, 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 28, 2006 of the Company and our reports dated March 20, 2006 expressed an unqualified opinion on those financial statements and financial statement schedule.

Deloitte & Touche LLP

Pittsburgh, Pennsylvania
March 20, 2006

CONSOLIDATED STATEMENTS OF INCOME

Fiscal Year Ended	January 28, 2006	January 29, 2005	January 31, 2004
(Amounts in thousands, except per share data)			
Net sales	$2,624,987	$2,109,399	$1,470,845
Cost of goods sold, including occupancy and distribution costs	1,887,347	1,522,873	1,062,820
Gross profit	737,640	586,526	408,025
Selling, general and administrative expenses	556,320	443,776	314,885
Merger integration and store closing costs	37,790	20,336	–
Pre-opening expenses	10,781	11,545	7,499
Income from operations	132,749	110,869	85,641
Gain on sale of investment	(1,844)	(10,981)	(3,536)
Interest expense, net	12,959	8,009	1,831
Other income	–	(1,000)	–
Income before income taxes	121,634	114,841	87,346
Provision for income taxes	48,654	45,936	34,938
NET INCOME	**$ 72,980**	**$ 68,905**	**$ 52,408**
EARNINGS PER COMMON SHARE:			
Basic	$ 1.47	$ 1.44	$ 1.17
Diluted	$ 1.35	$ 1.30	$ 1.04
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:			
Basic	49,792	47,978	44,774
Diluted	53,979	52,921	50,280

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)	**January 28, 2006**	January 29, 2005
Assets		
Current Assets:		
Cash and cash equivalents	$ 36,564	$ 18,886
Accounts receivable, net	29,365	30,611
Income tax receivable	–	7,202
Inventories, net	535,698	457,618
Prepaid expenses and other current assets	11,961	8,772
Deferred income taxes	429	7,966
Total current assets	614,017	531,055
PROPERTY AND EQUIPMENT, NET	370,277	349,098
CONSTRUCTION IN PROGRESS – LEASED FACILITIES	7,338	15,233
GOODWILL	156,628	157,245
OTHER ASSETS:		
Deferred income taxes	8,959	871
Investments	3,197	3,388
Other	27,373	28,158
Total other assets	39,529	32,417
TOTAL ASSETS	**$ 1,187,789**	**$ 1,085,048**
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 253,395	$ 211,685
Accrued expenses	136,520	141,465
Deferred revenue and other liabilities	62,792	48,882
Income taxes payable	18,381	–
Current portion of other long-term debt and capital leases	181	635
Total current liabilities	471,269	402,667
LONG-TERM LIABILITIES:		
Senior convertible notes	172,500	172,500
Revolving credit borrowings	–	76,094
Other long-term debt and capital leases	8,520	8,775
Non-cash obligations for construction in progress – leased facilities	7,338	15,233
Deferred revenue and other liabilities	113,369	96,112
Total long-term liabilities	301,727	368,714
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 36,545,332 and 34,790,358, at January 28, 2006 and January 29, 2005, respectively	365	348
Class B common stock, par value, $.01 per share, authorized shares 40,000,000; issued and outstanding shares 13,730,945 and 14,039,529, at January 28, 2006 and January 29, 2005, respectively	137	140
Additional paid-in capital	209,526	181,321
Retained earnings	202,842	129,862
Accumulated other comprehensive income	1,923	1,996
Total stockholders' equity	414,793	313,667
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 1,187,789**	**$ 1,085,048**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Fiscal Year Ended	January 28, 2006	January 29, 2005	January 31, 2004
(Dollars in thousands)			
NET INCOME	$ 72,980	$ 68,905	$ 52,408
OTHER COMPREHENSIVE INCOME:			
Unrealized gain on securities available-for-sale, net of tax	1,126	5,417	6,016
Reclassification adjustment for gains realized in net income due to the sale of available-for-sale securities, net of tax	(1,199)	(7,138)	(2,299)
COMPREHENSIVE INCOME	**$ 72,907**	**$ 67,184**	**$ 56,125**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Year Ended	January 28, 2006	January 29, 2005	January 31, 2004
(Dollars in thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 72,980	$ 68,905	$ 52,408
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	49,861	37,621	17,554
Deferred income taxes	1,559	18,124	8,201
Tax benefit from exercise of stock options	14,678	15,868	29,861
Gain on sale of investment	(1,844)	(10,981)	(3,536)
Other non-cash items	2,452	2,171	2,067
Changes in assets and liabilities:			
Accounts receivable	16,002	(3,470)	3,904
Inventories	(77,872)	(44,813)	(20,863)
Prepaid expenses and other assets	(2,589)	(2,177)	1,549
Accounts payable	35,119	(4,260)	(19,850)
Accrued expenses	(193)	(4,707)	12,842
Income taxes payable	19,144	–	(12,763)
Deferred construction allowances	11,032	29,072	11,227
Deferred revenue and other liabilities	29,201	6,488	16,613
Net cash provided by operating activities	169,530	107,841	99,214
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Capital expenditures	(112,002)	(104,944)	(67,064)
Proceeds from sale-leaseback transactions	18,837	35,687	14,726
Payment for the purchase of Galyan's, net of $17,931 cash acquired	–	(351,554)	–
Purchase of held-to-maturity securities	–	(57,942)	–
Proceeds from sale of held-to-maturity securities	–	57,942	–
Proceeds from sale of investment	1,922	12,001	4,150
(Increase) decrease in recoverable costs from developed properties	(2,475)	(5,962)	2,079
Net cash used in investing activities	(93,718)	(414,772)	(46,109)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of convertible notes	–	172,500	–
Revolving credit (payments) borrowings, net	(76,094)	76,094	–
(Payments) borrowings on long-term debt and capital leases	(560)	(537)	339
Payment for purchase of bond hedge	–	(33,120)	–
Proceeds from issuance of warrant	–	12,420	–
Transaction costs for convertible notes	–	(6,239)	–
Proceeds from sale of common stock under employee stock purchase plan	3,676	3,233	2,473
Proceeds from exercise of stock options	7,413	5,017	13,429
Increase in bank overdraft	7,431	2,775	13,025
Other	–	–	183
Net cash (used in) provided by financing activities	(58,134)	232,143	29,449
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,678	(74,788)	82,554
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	18,886	93,674	11,120
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 36,564**	**$ 18,886**	**$ 93,674**
Supplemental disclosure of cash flow information:			
Construction in progress – leased facilities	$ (7,895)	$ 4,306	$ 9,594
Accrued property and equipment	$ (4,969)	$ 13,855	$ –
Cash paid during the year for interest	$ 12,345	$ 5,862	$ 1,594
Cash paid during the year for income taxes	$ 4,569	$ 15,818	$ 12,424

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 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
Exchange of Class B common stock for common stock	308,584	3	(308,584)	(3)
Sale of common stock under stock plans	125,989	1	–	–
Exercise of stock options, including tax benefit of $14,678	1,320,401	13	–	–
Tax benefit on convertible note bond hedge	–	–	–	–
Net income	–	–	–	–
Unrealized gain on securities available-for-sale, net of taxes of $606	–	–	–	–
Reclassification adjustment for gains realized in net income due to the sale of securities available-for-sale, net of taxes of $645	–	–	–	–
BALANCE, January 28, 2006	**36,545,332**	**$ 365**	**13,730,945**	**$ 137**

See notes to consolidated financial statements.

Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
$ 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
–	–	–	–
3,675	–	–	3,676
22,078	–	–	22,091
2,452	–	–	2,452
–	72,980	–	72,980
–	–	1,126	1,126
–	–	(1,199)	(1,199)
$ 209,526	**$ 202,842**	**$ 1,923**	**$ 414,793**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED 2005, 2004 AND 2003

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 255 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. ("Galyan's). The Consolidated Statements of Income include the operation of Galyan's from the date of acquisition forward for the year ended January 29, 2005.

Fiscal Year – The Company's fiscal year ends on the Saturday closest to the end of January. Fiscal years 2005, 2004 and 2003 ended on January 28, 2006, January 29, 2005 and January 31, 2004.

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 $0.1 million, $1.2 million and $0.1 million for fiscal 2005, 2004 and 2003, 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 28, 2006 and January 29, 2005 include $68.0 million and $60.6 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 $1.9 million and $4.8 million, as of January 28, 2006 and January 29, 2005, 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, other valuations and vendor allowances totaling $38.2 million and $37.7 million at January 28, 2006 and January 29, 2005, 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	10–23 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 acquired in the acquisition of Galyan's is 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 during the years ended January 28, 2006 and January 29, 2005.

Investments – Investments consist of shares of unregistered common stock and are carried at fair value within other assets in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities". 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 unregistered character of the stock. This discount was based on an independent appraisal obtained by the Company. Unrealized holding gains and losses on the stock 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, unamortized capitalized rent during construction that was previously required to be capitalized prior to the adoption of FSP 13-1, 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, was $73.3 million at both January 28, 2006 and January 29, 2005. Deferred revenue related to gift cards at January 28, 2006 and January 29, 2005 was $58.1 million and $47.0 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 $37.8 million, $20.3 and $0 for fiscal 2005, 2004 and 2003 respectively.

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 affected 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 28, 2006	January 29, 2005	January 31, 2004
(Dollars in thousands, except per share data)			
Net income, as reported	$ 72,980	$ 68,905	$ 52,408
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	(13,484)	(11,761)	(3,908)
Proforma net income	**$ 59,496**	**$ 57,144**	**$ 48,500**
Earnings per share:			
Basic income applicable to common shareholders – as reported	$ 1.47	$ 1.44	$ 1.17
Basic income applicable to common shareholders – proforma	$ 1.19	$ 1.19	$ 1.08
Diluted income applicable to common shareholders – as reported	$ 1.35	$ 1.30	$ 1.04
Diluted income applicable to common shareholders – proforma	$ 1.10	$ 1.08	$ 0.96

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		
	2005	2004	2003	2005	2004	2003
Expected life (years)	5.29	5	3–5	0.5	0.5	0.5
Expected volatility	39%–41%	52%–54%	48%–62%	27%–40%	26%–30%	32%–47%
Risk-free interest rate	3.63%–4.44%	3.42%–3.96%	2.20%–3.52%	3.38%–4.40%	1.69%–2.61%	0.96–1.02%
Expected dividend yield	–	–	–	–	–	–
Weighted average fair values	$ 15.26	$ 15.77	$ 10.73	$ 8.29	$ 7.21	$ 5.02

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, net of cooperative advertising was $96.1 million, $78.3 million and $54.4 million for fiscal 2005, 2004 and 2003, 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 fiscal 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. The following table sets forth the approximate amount of net sales attributable to hardlines, apparel and footwear for the periods presented:

	Fiscal Year		
Merchandise Category	**2005**	2004	2003
(Dollars in millions)			
Hardlines	$ 1,497	$ 1,216	$ 865
Apparel	672	530	340
Footwear	456	363	266
Total net sales	**$ 2,625**	**$ 2,109**	**$ 1,471**

Newly Issued Accounting Pronouncements – In December 2004, the FASB issued Statement No. 123R, "Share-Based Payment," which is a revision of FASB Statement No. 123, "Accounting for Stock-Based Compensation." As permitted by FASB No. 123, the Company currently accounts for share-based payments to employees using APB No. 25's intrinsic value method and, as such, recognizes no compensation cost for employee stock options or our employee stock purchase plan. Accordingly, the adoption of SFAS 123R's fair value method will have an impact on the Company's results of operations, although it will have no impact on the Company's overall financial position or cash flows. Had the Company adopted SFAS 123R in prior periods, the impact of that standard for years ended January 28, 2006 and January 29, 2005 would have approximated the impact of FASB No. 123 as described in the disclosure of proforma net income and earnings per share in Note 1 of the Consolidated Financial Statements. SFAS 123R also requires the benefits of tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. While the Company cannot estimate what those amounts will be in the future (because they depend on, among other things, when employees exercise stock options), the amount of operating cash flows recognized for such excess tax deductions were $14.7 million, $15.9 million and $29.9 million during fiscal 2005, 2004 and 2003, respectively. The Company will adopt the new requirements using the modified prospective transition method beginning in fiscal 2006. During 2006, the Company expects to incur approximately $25 million of stock option expense on a pre-tax basis, or $0.27 per share after tax.

In October 2005, the FASB issued FASB Staff Position (FSP) FAS 13-1, "Accounting for Rental Costs Incurred during a Construction Period." This FSP requires rental costs associated with operating leases that are incurred during a construction period to be recognized as rental expense. The Company historically capitalized rental costs incurred during a construction period. The guidance permits either retroactive or prospective treatment for periods beginning after December 15, 2005. We will prospectively change our policy from capitalization to expensing beginning in fiscal 2006. The adoption of this FSP is not expected to have a significant effect on the Company's consolidated financial statements.

In November 2004, the FASB issued Statement No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4" ("SFAS 151"). SFAS 151 clarifies that abnormal inventory costs such as costs of idle facilities, excess freight and handling costs, and waste materials are required to be recognized as current period charges. The provisions of SFAS 151 are effective for fiscal years beginning after June 15, 2005. The adoption of SFAS 151 in fiscal 2006 is not expected to have a material effect on the Company's consolidated financial statements.

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. The Company has recorded $156.6 of goodwill as the excess of the purchase price of $369.6 million over the fair value of the net amounts assigned to assets acquired and liabilities assumed. The Company received an independent appraisal for certain assets to determine their fair value. The purchase price allocation is final, except for any potential income tax changes that may arise. The following table summarizes the fair values of the assets acquired and liabilities assumed:

(In thousands)	
Inventory	$ 158,780
Other current assets	65,603
Property and equipment, net	157,211
Other long–term assets, excluding goodwill	4,458
Goodwill	156,628
Favorable leases	5,310
Accounts payable	(93,944)
Accrued expenses	(61,223)
Other current liabilities	(9,937)
Long-term debt	(5,859)
Other long-term liabilities	(7,455)
Fair value of net assets acquired, including intangibles	**$ 369,572**

As of January 28, 2006, the Company had accrued expenses of $0.1 million related to Galyan's associate severance and relocation, and a net receivable of $0.6 million as our projected sublease cash flows exceed our anticipated rent payments for two of the closed former Galyan's stores. These costs were accounted for under Emerging Issues Task Force No. 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination".

The following table summarizes the activity in fiscal 2005 and fiscal 2004:

(In thousands)	Associate severance, retention and relocation	Liabilities established for the closing of Galyan's stores and headquarters	Inventory reserve for discontinued Galyan's merchandise	Total
Liabilities and reserves established in conjuction 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
Cash paid (net of sublease receipts)	(3,284)	(4,242)	–	(7,526)
Adjustments to the estimate	(216)	–	–	(216)
Clearance of discontinued Galyan's merchandise	–	–	(6,310)	(6,310)
Balance at January 28, 2006	**$ 120**	**$ (569)**	**$ –**	**$ (449)**

The $6.3 million and $16.4 million of inventory reserve utilized for the clearance of discontinued Galyan's merchandise in fiscal 2005 and 2004, respectively, was recorded as a reduction of cost of sales.

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 may 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	$ 56,452	$ 51,624
Basic earnings per share	$ 1.18	$ 1.15
Diluted earnings per share	$ 1.07	$ 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". The Company recorded $156.6 million of goodwill as the excess of the purchase price of $369.6 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 is 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 periodically reviewed for impairment. No amounts assigned to any intangible assets are deductible for tax purposes. The $0.6 million decrease in goodwill during 2006 was a result of income tax adjustments.

Acquired intangible assets subject to amortization at January 28, 2006 were as follows:

	2005		2004	
Intangible assets subject to amortization:	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
(In thousands)				
Favorable leases	$ 5,310	$ (45)	$ 5,310	$ 1

The estimated weighted average economic useful life is 11 years. The annual amortization expense of the favorable leases recorded as of January 28, 2006 is expected to be as follows:

Fiscal Years	Estimated Amortization Expense
(In thousands)	
2006	142
2007	241
2008	345
2009	453
2010	590
Thereafter	3,494
Total	**$ 5,265**

4. Store and Corporate Office Closings

As a result of the Galyan's acquisition, the Company closed six Dick's Sporting Goods stores and four Galyan's stores, the Galyan's clearance center and the Galyan's corporate headquarters. See Note 2 for a summary of the activity of the Galyan's store closing reserves during fiscal 2005 and 2004.

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:

(In thousands)	Lease and Other Costs
Balance at January 29, 2005	$ 3,191
Expense charged to earnings	21,545
Cash payments for leases and other costs	(4,555)
Balance at January 28, 2006	**$ 20,181**

Of the $21.5 million of expense charged to earnings, essentially all was recorded in merger integration and store closing costs in the Consolidated Statements of Income. Of the $20.2 million total liability, $4.8 million is recorded in accrued expenses and $15.4 million is recorded in long-term deferred revenue and other liabilities in the Consolidated Balance Sheets. The amounts above relate to store rent, common area maintenance and real estate taxes, and other contractual obligations.

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)	2005	2004
Buildings and land	$ 31,820	$ 34,280
Leasehold improvements	313,075	290,236
Furniture, fixtures and equipment	280,376	255,318
	625,271	579,834
Less accumulated depreciation and amortization	(254,994)	(230,736)
Net property and equipment	**$ 370,277**	**$ 349,098**

6. Accrued Expenses

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

(In thousands)	2005	2004
Accrued payroll, withholdings and benefits	$ 36,859	$ 41,245
Accrued property and equipment	23,062	23,428
Other accrued expenses	76,599	76,792
Total accrued expenses	**$ 136,520**	**$ 141,465**

7. Debt

The Company's outstanding debt at January 28, 2006 and January 29, 2005 was as follows:

(In thousands)	2005	2004
Senior convertible notes	$ 172,500	$ 172,500
Revolving line of credit	–	76,094
Capital leases	7,909	8,427
Third-party debt	752	793
Related party debt	40	190
Total debt	181,201	258,004
Less current portion	(181)	(635)
Total long-term debt	**$ 181,020**	**$ 257,369**

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 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 28, 2006 and January 29, 2005, the Company's total remaining borrowing capacity, after subtracting letters of credit, under the Credit Agreement was $275.6 million and $184.1 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 $98.4 million as of January 28, 2006.

At January 28, 2006 and January 29, 2005, the prime rate was 7.25% and 5.25%, respectively, and LIBOR was 4.57% and 2.59%, respectively. There were no outstanding borrowings at January 28, 2006. The borrowings outstanding at January 29, 2005 were $76.1 million.

The Credit Agreement contains restrictive covenants including the maintenance of a certain fixed charge coverage ratio of not less than 1.0 to 1.0 in certain circumstances 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 28, 2006 and January 29, 2005, the Company had outstanding letters of credit totaling $17.8 million and $17.1 million, respectively.

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

(Dollars in thousands)	**2005**	2004
Balance, fiscal period end	$ –	$ 76,094
Average interest rate	4.76%	3.30%
Maximum outstanding during the year	$ 251,963	$ 290,755
Average outstanding during the year	$ 134,610	$ 94,682

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

		2005		2004
(Dollars in thousands)				
Third-Party:				
Note payable, due in monthly installments of approximately $3, including interest at 4%, through 2020	$	752	$	793
Related Party:				
Note payable to a former principal stockholder, due in monthly installments of approximately $14, including interest at 12%, through May 1, 2006		40		190
Total debt		792		983
Less current portion of:				
Third-party		(44)		(41)
Related party		(40)		(149)
Total Long-Term Debt	**$**	**708**	**$**	**793**

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 28, 2006 are as follows:

Fiscal Year		
(In thousands)		
2006	$	84
2007		46
2008		48
2009		49
2010		52
Thereafter		513
	$	**792**

Capital Lease Obligations – The Company leases two buildings from the estate of a former stockholder, who 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 $8.2 million and $4.6 million, respectively as of January 28, 2006 and $9.0 million and $5.3 million, respectively as of January 29, 2005.

Scheduled lease payments under capital lease obligations as of January 28, 2006 are as follows:

Fiscal Year *(In thousands)*	
2006	$ 888
2007	888
2008	905
2009	953
2010	953
Thereafter	13,113
	17,700
Less amount representing interest	9,791
Present value of net scheduled lease payments	7,909
Less amounts due in one year	97
	$ 7,812

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 2027. 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 $196.3 million, $144.0 million and $97.1 million for fiscal 2005, 2004 and 2003, respectively. The Company entered into sale-leaseback transactions related to store fixtures, buildings and equipment that resulted in cash receipts of $18.8 million, $35.7 million and $14.7 million for fiscal 2005, 2004 and 2003, respectively.

Scheduled lease payments due (including lease commitments for 47 stores not yet opened at January 28, 2006) under noncancelable operating leases as of January 28, 2006 are as follows:

Fiscal Year *(In thousands)*	
2006	$ 218,824
2007	232,051
2008	232,243
2009	228,970
2010	224,319
Thereafter	1,745,131
	$ 2,881,538

The Company has subleases related to certain of its operating lease agreements. During each of fiscal 2005, 2004 and 2003, the Company recognized sublease income of $1.0 million.

9. Stockholders' Equity and Employee Stock Plans

Stock Option Plans – At January 28, 2006, 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 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
Granted	1,243,944	35.79	–	–
Exercised	(1,320,401)	5.65	–	–
Cancelled	(388,566)	25.58	–	–
Outstanding, January 28, 2006	**11,639,387**	**$ 15.32**	**3,871,740**	**$ 8.72**

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 28, 2006, there were 9,606,303 shares of common stock available for issuance pursuant to future stock option grants.

Additional information regarding options outstanding as of January 28, 2006, 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	2,068,498	4.17	$ 1.93	2,068,498	$ 1.93
$6.00 – $10.48	3,867,821	6.74	6.51	740,939	7.73
$15.29 – $22.87	2,501,255	7.71	21.69	468,219	18.36
$25.07 – $36.17	3,201,813	8.47	29.64	594,084	26.03
$1.08 – $36.17	**11,639,387**	**6.97**	**$ 15.32**	**3,871,740**	**$ 8.72**

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 125,989 and 137,240 shares issued under the plan during fiscal 2005 and 2004 and 940,877 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.

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.

10. Income Taxes

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

	2005	2004	2003
(In thousands)			
Current:			
Federal	$ 41,961	$ 22,645	$ 21,543
State	7,295	7,280	3,696
	49,256	29,925	25,239
Deferred:			
Federal	(928)	15,603	8,491
State	326	408	1,208
	(602)	16,011	9,699
Total provision	**$ 48,654**	**$ 45,936**	**$ 34,938**

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

	2005	2004	2003
Federal statutory rate	35.0%	35.0%	35.0%
State tax, net of federal benefit	4.6%	4.3%	5.0%
Other permanent items	0.4%	0.7%	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)	2005	2004
Store closings expense	$ 14,269	$ 3,614
Employee benefits	8,454	6,356
Other accrued expenses not currently deductible for tax purposes	8,273	12,035
Deferred rent	7,709	6,232
Insurance	3,491	2,892
State net operating loss carryforwards	2,242	4,203
Total deferred tax assets	44,438	35,332
Property and equipment	(16,288)	(14,530)
Inventory	(18,762)	(11,965)
Total deferred tax liabilities	(35,050)	(26,495)
Net deferred tax asset	**$ 9,388**	**$ 8,837**

The gross deferred tax asset from tax loss carryforwards of $2.2 million represents approximately $49.3 million of state net operating loss carryforwards, of which $1.9 million expires in the next ten years. The remaining $47.4 million expires between 2019 and 2025. In 2005, of the $9.4 million net deferred tax asset, $0.4 million is recorded in current assets and $9.0 million is recorded in other long-term assets in the Consolidated Balance Sheets. In 2005, of the $8.8 million net deferred tax asset, $8.0 million is recorded in current assets and $0.8 million is recorded in other long-term assets in the Consolidated Balance Sheets.

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 2005 calculation as they were anti-dilutive. The earnings per share calculations are as follows:

Fiscal Year Ended *(In thousands, except per share data)*	2005	2004	2003
Earnings per common share – Basic:			
Net income	$ 72,980	$ 68,905	$ 52,408
Weighted average common shares outstanding	49,792	47,978	44,774
Earnings per common share	$ 1.47	$ 1.44	$ 1.17
Earnings per common share – Diluted:			
Net income	$ 72,980	$ 68,905	$ 52,408
Weighted average common shares outstanding – basic	49,792	47,978	44,774
Stock options	4,187	4,943	5,506
Weighted average common shares outstanding	53,979	52,921	50,280
Earnings per common share	$ 1.35	$ 1.30	$ 1.04

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 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 28, 2006 and January 29, 2005 was $2.3 million and $2.8 million, respectively. In total, the number of shares the Company holds represents less than 5% of GSI's outstanding common stock.

During fiscal 2005, 2004 and 2003, the Company realized a pre-tax gain of $1.8 million, $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 $2.6 million, $1.8 million and $1.9 million for fiscal 2005, 2004 and 2003, respectively. The fiscal 2003 expense included a discretionary contribution of $0.6 million.

14. Commitments and Contingencies

The Company enters into licensing agreements for the exclusive rights to use certain trademarks extending through 2020. Under specific agreements, the Company is obligated to pay an annual guaranteed minimum royalty. The aggregate amount of required payments at January 28, 2006 is as follows:

Fiscal Year	
(In thousands)	
2006	$ 500
2007	1,000
2008	1,250
2009	1,500
2010	1,700
Thereafter	25,900
	$ 31,850

In addition, certain agreements require the Company to pay additional royalties if the qualified purchases are in excess of the guaranteed minimum. There were no payments made under agreements requiring minimum guaranteed contractual amounts during fiscal 2005.

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. Quarterly Financial Information (Unaudited)

Summarized quarterly financial information in fiscal years 2005 and 2004 is as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(In thousands, except earnings per share)				
2005				
Net sales	$ 570,843	$ 621,972	$ 582,665	$ 849,507
Gross profit	151,972	174,416	153,454	257,798
(Loss) income from operations	(9,423)	38,066	10,868	92,238
Net (loss) income	(7,331)	22,098	4,183	54,030
Net (loss) earnings per common share	$ (0.15)	$ 0.41	$ 0.08	$ 1.00
2004				
Net sales	$ 364,207	$ 416,135	$ 541,009	$ 788,048
Gross profit	102,758	119,164	138,251	226,353
(Loss) income from operations	17,322	30,805	194	62,548
Net (loss) income	10,608	17,908	(1,956)	42,345
Net (loss) earnings per common share	$ 0.20	$ 0.34	$ (0.04)	$ 0.79

RECONCILIATION OF NON-GAAP FINANCIAL INFORMATION

This Annual Report to Stockholders contains certain non-GAAP financial information. The adjusted financial information is considered non-GAAP and is not preferable to GAAP financial information; however, the Company believes this information provides additional measures of performance that the Company's management and investors can use to compare core, operating results between reporting periods. The Company has provided reconciliations below for EBITDA, ROIC, net income, earnings per share and operating income adjusted for merger integration and store closing costs, the acquisition of Galyan's on July 29, 2004 and the gain on sale of investment.

EBITDA

EBITDA should not be considered as an alternative to net income or any other generally accepted accounting principles measure of performance or liquidity. EBITDA, as the Company has calculated 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.

EBITDA	2005	2004	2003	2005 Adjusted	2004 Adjusted	2003 Adjusted
(Dollars in thousands)						
Net income	$ 72,980	$ 68,905	$ 52,408	$ 94,548	$ 74,518	$ 50,286
Provision for income taxes	48,654	45,936	34,938	63,032	49,678	33,524
Interest expense, net	12,959	8,009	1,831	12,959	8,009	1,831
Depreciation and amortization	49,861	37,621	17,554	48,992	33,594	17,554
EBITDA	**$ 184,454**	**$ 160,471**	**$ 106,731**	**$ 219,531**	**$ 165,799**	**$ 103,195**
GAAP EBITDA % increase over GAAP Prior Year	15%	50%				
Adjusted EBITDA % increase over Adjusted Prior Year	32%	61%				

EBITDA Fiscal 2005 (Adjusted)[1]	Year Ended January 28, 2006	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	$ 72,980	$ 22,674	$ 1,106	$ 94,548
Provision for income taxes	48,654	15,116	738	63,032
Interest expense, net	12,959	–	–	12,959
Depreciation and amortization	49,861	(869)	–	48,992
EBITDA	**$ 184,454**	**$ 36,921**	**$ 1,844**	**$ 219,531**

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

EBITDA Fiscal 2004 (Adjusted)[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	(4,027)	–	33,594
EBITDA	**$ 160,471**	**$ 16,309**	**$ 10,981**	**$ 165,799**

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

EBITDA Fiscal 2003 (Adjusted)[2]	Year Ended January 31, 2004	Less: Gain on sale of investment	Results excluding gain on sale of investment
Net income	$ 52,408	$ 2,122	$ 50,286
Provision 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.

Adjusted Net Income and Adjusted Earnings Per Share Reconciliation

	Fiscal 2005		Fiscal 2004		Proforma[1] Fiscal 2004		Fiscal 2003	
	Amounts	Per Share	Amounts	Per Share	Amounts	Per Share	Amounts	Per Share
(in thousands, except per share data)								
Reported net income (GAAP)	$ 72,980	$1.35	$ 68,905	$1.30	$ 68,905	$1.30	$ 52,408	$1.04
Add: Merger integration and store closing costs, after tax	22,674	0.42	12,202	0.23	12,202	0.23	–	–
Less: Gain on sale of investment, after tax	(1,106)	(0.02)	(6,589)	(0.12)	(6,589)	(0.12)	(2,122)	(0.04)
Less: Galyan's net loss	–	–	–	–	(12,453)	(0.24)	–	–
Adjusted net income and earnings per share	**$ 94,548**	**$1.75**	**$ 74,518**	**$1.41**	**$ 62,065**	**$1.17**	**$ 50,286**	**$1.00**
Adjusted net income % increase over adjusted prior year	52%							

[1] Proforma includes the operations of Galyan's as if it had been acquired at the beginning of the period.

Adjusted Operating Income Reconciliation

	Fiscal 2005		Fiscal 2004		Proforma[2] Fiscal 2004	
	Amounts	%	Amounts	%	Amounts	%
(in thousands)						
Reported income from operations (GAAP)	$ 132,749	5.06%	$ 110,869	5.26%	$ 110,869	5.26%
Add: Merger integration and store closing costs	37,790	1.44	20,336	0.96	20,336	0.96
Add: Galyan's Trading Company	–	–	–	–	(14,992)	(1.47)
Adjusted operating income	**$ 170,539**	**6.50%**	**$ 131,205**	**6.22%**	**$ 116,213**	**4.75%**

[2] Proforma presents operating income adjusted for merger integration and store closing costs and includes the operations of Galyan's as if it had been acquired at the beginning of the period.

Return On Invested Capital (ROIC)

(Dollars in thousands)	**2005**	2004	2003	2002	2001	2000	1999
Net income	$ 72,980	$ 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	22,674	12,202	–	–	–	–	–
(Gain) on sale/loss on write-down of non cash investment, after tax	(1,106)	(6,589)	(2,122)	1,468	–	–	–
Adjusted net income	94,548	74,518	50,286	39,605	23,241	15,715	14,476
Net Income for ROIC Calculation	94,548	74,518	50,286	39,605	23,241	15,715	14,476
Interest expense, net, after tax	7,775	4,805	1,099	1,718	3,745	4,178	2,112
Rent expense, net, after tax	117,801	86,369	58,232	50,999	43,223	35,516	27,748
Net Income for ROIC after adjustments (numerator)	$ 220,124	$ 165,692	$ 109,617	$ 92,322	$ 70,209	$ 55,409	$ 44,336
Total stockholders' equity	$ 415,001	$ 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	415,001	313,667	240,894	138,823	61,556	37,423	88,269
Total debt	181,201	258,004	3,916	3,577	80,861	73,647	14,931
Operating leases capitalized at 8x annual rent expense	1,570,680	1,151,587	776,427	679,987	576,307	473,542	369,968
Total debt and operating leases capitalized at 8x annual rent expense	1,751,881	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)	2,166,882	1,723,258	1,021,237	822,387	718,724	584,612	473,168
Average total capital (denominator)[1]	$1,945,070	$1,372,247	$ 921,812	$ 770,555	$ 651,668	$ 528,890	$ 438,730
ROIC	**11.3%**	**12.1%**	**11.9%**	**12.0%**	**10.8%**	**10.5%**	**10.1%**
ROIC using GAAP amounts[2]	10.2%	11.7%	12.1%	11.8%	10.8%	10.5%	13.9%

[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 AND STOCKHOLDER INFORMATION

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
American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10038

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 March 31, 2006 was 171 and 9, 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.

2005 Fiscal Quarter Ended	High	Low
April 30, 2005	$ 36.73	$ 30.66
July 30, 2005	$ 40.13	$ 30.56
October 29, 2005	$ 40.08	$ 27.00
January 28, 2006	$ 37.36	$ 29.93

2004 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. In addition, our credit agreement restricts our ability to pay dividends.

Non-GAAP Financial Information
For any non-GAAP financial measures used in this report, see pages 59–61 for a presentation of the most directly comparable GAAP financial measure and a quantitative reconciliation to that GAAP financial measure.

Annual Meeting
June 7th 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

Management Certifications
On June 22, 2005, in accordance with Section 3.03A.12(a) of the New York Stock Exchange Listed Company Manual, our Chief Executive Officer submitted a certification to the NYSE stating that he was not aware of any violations by Dick's Sporting Goods, Inc. of the NYSE's Corporate Governance listing standards as of that date.

The certifications required by Section 302 of the Sarbanes-Oxley Act with respect to the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2006 have been filed with the Securities and Exchange Commission as Exhibits 31.1 and 31.2 thereto.

BOARD OF DIRECTORS

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

Emanuel Chirico
Director since 2003
Chief Executive 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, Boltaron 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

Michael F. Hines
Executive Vice President and
Chief Financial Officer

Gwen Manto
Executive Vice President and
Chief Merchandising Officer

William R. Newlin
Executive Vice President and
Chief Administrative Officer

Lee Belitsky
Senior Vice President
Distribution and Transportation

Jay Crosson
Senior Vice President
Human Resources

Eileen Gabriel
Senior Vice President and
Chief Information Officer

Jeffrey R. Hennion
Senior Vice President
Marketing

Joseph H. Schmidt
Senior Vice President
Store Operations

Douglas Walrod
Senior Vice President
Real Estate and Development

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

DICK'S SPORTING GOODS, INC.

300 INDUSTRY DRIVE RIDC PARK WEST PITTSBURGH, PA 15275

724-273-3400 WWW.DICKSSPORTINGGOODS.COM