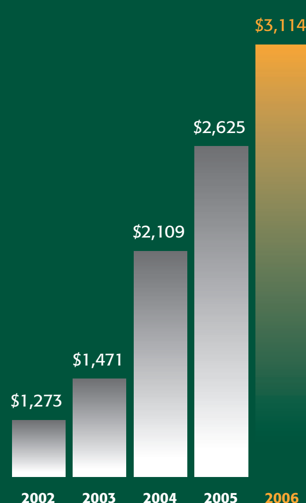
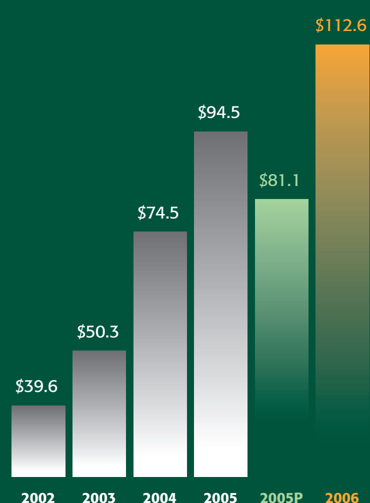
2006 ANNUAL REPORT

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.

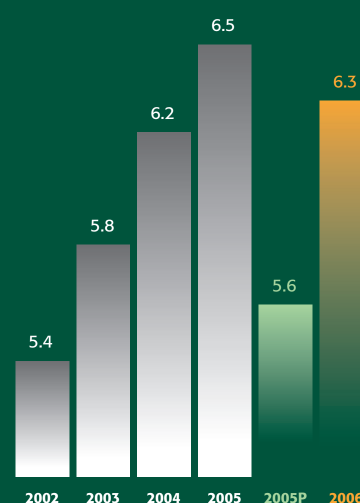
SALES
(DOLLARS IN MILLIONS)



NET INCOME[1]
(DOLLARS IN MILLIONS)



OPERATING MARGINS[1]
(PERCENTAGE)



FINANCIAL HIGHLIGHTS

Fiscal Year *(Dollars in thousands, except per share data)*	2006	2005	2004
Net sales	$ 3,114,162	$ 2,624,987	$ 2,109,399
Gross profit	896,699	737,640	586,526
Gross profit margin	28.8%	28.1%	27.8%
Selling, general and administrative expenses	682,625	556,320	443,776
Pre-opening expenses	16,364	10,781	11,545
Merger integration and store closing costs	–	37,790	20,336
Income from operations	197,710	132,749	110,869
Net Income	112,611	72,980	68,905
Adjusted Net Income [2]	$ $112,611	$ 81,064	$ 74,518
Diluted earnings per common share	2.03	1.35	1.30
Adjusted Diluted earnings per common share [2]	$ 2.03	$ 1.50	$ 1.41
Diluted weighted average shares outstanding (in thousands)	55,395	53,979	52,921
Total stockholders' equity	$ 620,550	$ 414,793	$ 313,667
Return on invested capital	10.5%	11.3%	12.1%
EBITDA	$ 252,639	$ 184,454	$ 160,471
Adjusted EBITDA [2]	$ 252,639	$ 197,058	$ 165,799
Comparable store net sales increase	6.0%	2.6%	2.6%
Store count	294	255	234

[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, gain on sale of investment, and are adjusted for the effect of expensing stock options as if we had applied SFAS 123, "Accounting for Stock-Based Compensation", in 2005.

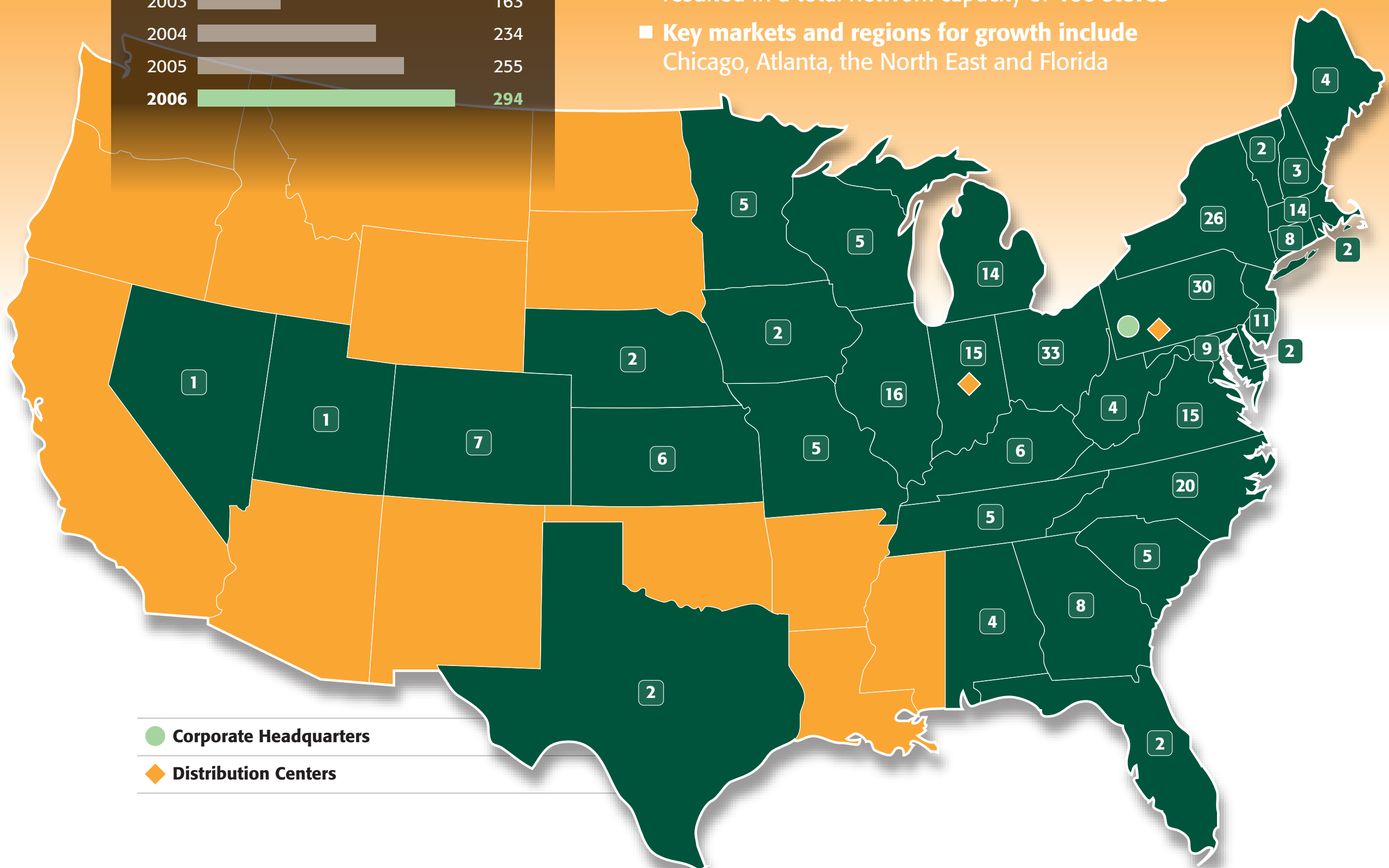
2005 P: Proforma results are adjusted for the effect of expensing stock options as if we had applied SFAS 123, "Accounting for Stock-Based Compensation", in 2005.

CONSISTENT PERFORMANCE. PROVEN STRATEGY. CAPITALIZING ON VISIBLE GROWTH OPPORTUNITIES.

Dick's Sporting Goods is an **authentic** sporting goods retailer focused on driving the steady growth of our business through the **disciplined execution** of our strategy: to deliver an extensive selection of authentic sporting goods in a convenient and service-driven store environment. Our commitment to this strategy has enabled us to generate **consistently** strong financial and operational performance, making Dick's the largest and most profitable publicly held full-line sporting goods retailer in the nation, as well as one of the largest chains of our kind in the United States with 294 stores in 34 states. Our success has also enabled us to build powerful **momentum** that is fueling profitable growth in our business and positioning us to capitalize on visible growth opportunities in 2007 and beyond.

OPPORTUNITIES FOR GROWTH

- We can **nearly double** the size of the chain in the eastern half of the United States
- **15% store growth per year,** in new and existing markets
- We have the potential for at least **800 stores nationwide**
- Expansion initiatives at our distribution centers have resulted in a total network capacity of **460 stores**
- **Key markets and regions for growth include** Chicago, Atlanta, the North East and Florida



DEAR FELLOW SHAREHOLDERS

The dictionary defines momentum as *"the power to increase or develop at an ever-growing speed."* In 2006, Dick's Sporting Goods clearly demonstrated this principle, drawing on our past success to continue our growth and pave the way to **seize new opportunities** in the future.

Among the year's accomplishments, we once again posted improved results in a number of important financial metrics; drove strong organic growth; forged an agreement to acquire Golf Galaxy; and continued to deliver **consistent profitable growth** fueled by execution across many aspects of our business, from merchandising, to store operations, marketing, supply chain and information technology. Collectively, our achievements reinforced Dick's Sporting Goods as a leader in the industry, and set the stage for our continued success.

Showcasing our Financial Discipline

Top athletes recognize that achieving excellence demands endless training and constant preparation. We believe that this same approach applies to maintaining optimal financial health and performance, so we practice **financial discipline** across our Company as a matter of course. Our diligence has made Dick's a strong, lean and nimble organization with the flexibility to manage changing market conditions and capitalize on promising growth opportunities.

We showcased these strengths in 2006 by delivering another year of industry-leading financial performance underscored by our record results. We also made outstanding progress in seizing the visible growth opportunities we talked about in last year's annual report, making 2006 yet another year in which our bottom line grew faster than our top line.

2006 – A Year of Growth

In 2006, we increased our sales 19 percent to more than $3.1 billion, driven by a 6 percent comparable store sales gain. In the second quarter, the former Galyan's stores entered the comparable store base on a positive note. We also opened 39 new stores and completed two store relocations and one remodel. Our blend of new markets and in-fill stores will ensure we continue to capture market share, and our ongoing emphasis on execution is reflected in our results. We delivered increases in our gross, operating, EBITDA and net income margins, **culminating in a 35 percent increase in proforma earnings per share.**[1]

I am pleased that our 2006 performance enabled us to **meet or exceed all three of our long-term financial goals:** on an annual basis to grow our store base by approximately 15 percent, improve our operating margin by approximately 30 basis points, and increase our earnings by approximately 20 percent.[1]

[1] *Results exclude merger integration and store closing costs, gain on sale of investment, and are adjusted for the effect of expensing stock options as if we had applied SFAS 123, "Accounting for Stock-Based Compensation", in 2005*

MANAGEMENT TEAM (LEFT TO RIGHT)

Joseph H. Schmidt
Senior Vice President – Store Operations

Michael F. Hines
Executive Vice President and Chief Financial Officer

William J. Colombo
President and Chief Operating Officer

Eileen Gabriel
Senior Vice President and Chief Information Officer

Douglas Walrod
Senior Vice President – Real Estate and Development

Edward W. Stack
Chairman and Chief Executive Officer

Lee Belitsky
Senior Vice President – Distribution & Transportation

Jay Crosson
Senior Vice President – Human Resources

Gwen Manto
Executive Vice President and Chief Merchandising Officer

Jeffrey R. Hennion
Senior Vice President and Chief Marketing Officer

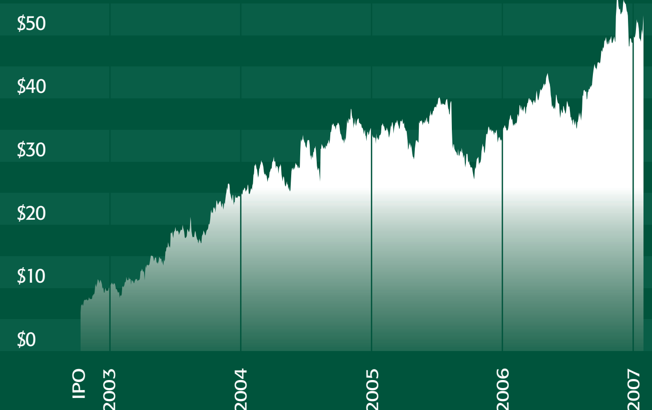
Seizing Visible Growth Opportunities

Dick's Sporting Goods is a leader in the sporting goods industry, with 294 stores located primarily in the eastern half of the United States. We believe that there is an opportunity for us to double the size of our chain in our existing footprint and to expand our reach across the nation, increasing the total size of our store network to at least **800 stores over time.** In 2006, we opened 39 new Dick's Sporting Goods stores, introducing us to seven new markets, while **increasing our presence 50 percent or more in several key markets** we had entered through the Galyan's acquisition, including Chicago, Atlanta, Minneapolis and Denver. We intend to expand our presence in many of these and other key markets in 2007.

We augmented this organic growth by **acquiring Golf Galaxy,** a leading specialty golf retailer with 65 stores in 24 states and sales of $275 million in 2006. Golf Galaxy offers a differentiated retail concept that complements our existing business within the fragmented golf retail industry. Moreover, Golf Galaxy offers excellent potential for both store and earnings growth, and we expect the acquisition to be accretive. Co-founders Randy Zanatta and Greg Maanum and their team who built Golf Galaxy into a retail leader will continue to operate and grow the Golf Galaxy chain.

STOCK PRICE PERFORMANCE
October 16, 2002 IPO through Fiscal 2006

DKS LISTED NYSE



We move into 2007 excited about the future and energized at the many **promising growth opportunities** before us.

Building Our Brand

Athletes who stand out as leaders typically possess unique skills and abilities – much like the **unique shopping experience** that Dick's offers to our customers. The cornerstone of this is our **store-within-a-store** concept, through which we combine several sports specialty stores in each of our locations. Our customers appreciate the fact that they can get the access to authentic merchandise, knowledgeable sales assistance and value-added services typically found only in a specialty store, in combination with the selection, convenience and competitiveness of a leading full-line sporting goods store.

Our store-within-a-store concept enables us to showcase exciting new products from the industry's leading brands. We leverage these offerings by staging special in-store promotions and events, as well as by being among the first to market the latest new products. In 2006, we helped launch a number of defining products, including the Nike + Apple iPod® Sport Kit and Under Armour's line of football cleats. We also worked with several of our vendors to develop high-performance, branded products that are available exclusively at Dick's.

Our private-label brands represent an important growth vehicle and a valuable differentiator for Dick's. **We offer exclusive brands** that present our customers with an appealing combination of quality and value while generating higher margins. In 2006, we continued to enhance and expand the merchandise assortment we offer under these brands, helping them account for 14.1 percent of our total sales.

We highlight our assortment and heighten awareness of our brand through marketing initiatives that target athletes and outdoor enthusiasts. These initiatives include a Sunday circular program supported by direct mailings, interactive in-store events and sponsorship of community sports activities. We also work to build our national presence through our *Every Season Starts at Dick's* advertising campaign on ESPN and The Golf Channel, as well as through our e-commerce site, which we redesigned in 2006 to provide an improved customer experience.

Capitalizing on Visible Growth Opportunities

We move into 2007 excited about the future and energized at the many promising growth opportunities before us. As we work to **leverage our momentum so that we can capitalize on these opportunities,** I would like to **thank you** — our customers, shareholders, vendors and associates — for your continued support. We are focused on rewarding your commitment to us and reinforcing Dick's Sporting Goods as the nation's leading **destination for sporting goods.**

Edward W. Stack
Chairman and Chief Executive Officer

2006 HIGHLIGHTS

PERFORMANCE

Delivered improved gross, operating, EBITDA and net income margins[1]

Increased comparable store sales by 6 percent, marking our seventh consecutive year of posting a gain of greater than 2 percent in this metric

Improved our merchandise margin by leveraging our growing purchasing power and continuing to develop our private-label brands, which accounted for 14.1 percent of total 2006 sales

Ended 2006 with no outstanding borrowings on our revolving credit facility; average borrowings for the year decreased $66 million or 63 percent

Ended the year as the nation's largest full-line sporting goods retailer with more than $3.1 billion in sales, as well as the most profitable publicly held full-line sporting goods retailer in the nation

GROWTH

Opened 39 new Dick's Sporting Goods stores that positioned us in seven new markets and increased our presence in several key markets, including Chicago, Atlanta, Minneapolis and Denver

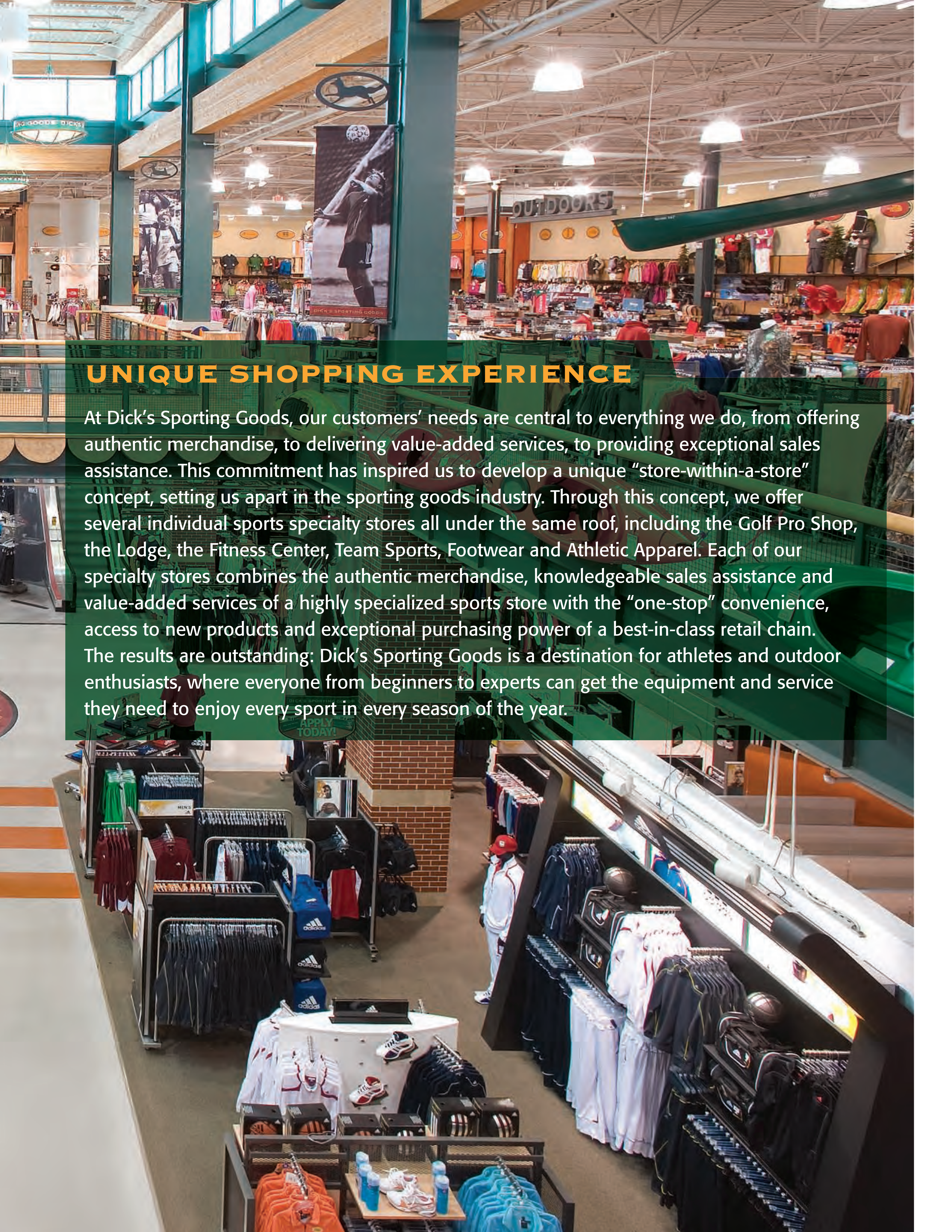
Acquired Golf Galaxy, a leading specialty golf retailer with 65 stores in 24 states and sales of $275 million in 2006

Completed the expansion of our distribution center in Plainfield, Indiana, increasing our total network capacity to service 460 stores

Launched a re-designed website that delivers enhanced features and an improved customer experience

2006

[1] *Results exclude merger integration and store closing costs, gain on sale of investment, and are adjusted for the effect of expensing stock options as if we had applied SFAS 123, "Accounting for Stock-Based Compensation", in 2005*



UNIQUE SHOPPING EXPERIENCE

At Dick's Sporting Goods, our customers' needs are central to everything we do, from offering authentic merchandise, to delivering value-added services, to providing exceptional sales assistance. This commitment has inspired us to develop a unique "store-within-a-store" concept, setting us apart in the sporting goods industry. Through this concept, we offer several individual sports specialty stores all under the same roof, including the Golf Pro Shop, the Lodge, the Fitness Center, Team Sports, Footwear and Athletic Apparel. Each of our specialty stores combines the authentic merchandise, knowledgeable sales assistance and value-added services of a highly specialized sports store with the "one-stop" convenience, access to new products and exceptional purchasing power of a best-in-class retail chain. The results are outstanding: Dick's Sporting Goods is a destination for athletes and outdoor enthusiasts, where everyone from beginners to experts can get the equipment and service they need to enjoy every sport in every season of the year.

EVERY SEASON STARTS AT DICK'S

AUTHENTIC MERCHANDISE

Sports enthusiasts eagerly await the start of each new season – and they fuel their anticipation by coming to Dick's to get what they need to train, play and compete. Our commitment to our customers drives us to offer the latest selection of **authentic sporting goods** all throughout the year. As a result, our customers know that Every Season Starts at Dick's, where they can get the equipment, apparel and footwear they need to excel in the sports and outdoor activities they love.

PREMIUM BRANDS

GOLF PRO SHOP

Achieving excellence in golf demands precision, making today's ever-changing assortment of golf equipment a requirement for serious players. Dick's Pro Shop is a leading source for the latest and most advanced golf equipment available, including clubs and balls that employ next-generation materials to enable players to hit longer and straighter than ever before. We also offer high-quality apparel, outerwear and shoes, innovative training devices and a full assortment of accessories. We house this merchandise in a pro shop environment that features broadcasts of golf tournaments and educational golf programming for our customers to enjoy while they browse the industry's newest equipment or test it out on our in-store driving ranges and putting greens. Dick's Pro Shop's are staffed by PGA golf professionals who can offer our customers informed product advice, demonstrate techniques and even arrange private golf lessons.

HIGHLIGHTS

Our assortment includes the top names in golf, like Taylor Made, Callaway, Titleist, Foot Joy, Nike, and Cobra as well as our exclusive collection of Walter Hagen and Slazenger merchandise.

Our PGA professionals know their game, and they make it their business to stay up-to-date on newly released products so they can help our customers select the best equipment for their individual needs.

One stop is all it takes to get a complete range of expert golf services, from club repair, to re-gripping, to private lessons with our PGA pros. We also offer a golf club trade-in program.

THE LODGE

THE LODGE

For outdoor sportsmen, uncertainty can be part of the territory, so the equipment they depend on must be reliable. The Lodge is a full-service outdoor sporting goods resource where sportsmen of all ages and skill levels can get the gear they need to enjoy virtually every outdoor sport in every season of the year. Dick's roots are those of a local bait and tackle shop, so we understand first-hand the passion for the great outdoors and the importance of offering authentic merchandise from time-tested brands. That's why we've made our Lodge the headquarters for outdoor pursuits, with the specialized sports equipment, clothing, footwear and outerwear required for a complete range of year-'round pursuits, from camping and fishing, to kayaking and archery. And while we pride ourselves on carrying the tried-and-true products and brands that our customers trust, we also believe in offering the best of new technology, from lightweight, multi-functional camping gear, to revolutionary protective clothing, high-performance binoculars and telescopes, and state-of-the-art global positioning systems.

HIGHLIGHTS

Our sales team includes experienced outdoor enthusiasts who can guide our customers toward the right products for their sports and skill levels, and offer "insider" tips on such topics as the local terrain and exploration opportunities.

Our product selection includes high-profile brands that are prized for reliability, like Coleman, Shakespeare and Old Town Canoe and Kayak, as well as our Field & Stream and Quest private-label brands.

We are a true outdoor destination store where sportsmen can test our products in our on-site archery lane, purchase hunting and fishing licenses and get instant access to the services they need, like rifle scope mounting, bore sighting, fishing line spooling and arrow cutting.

FITNESS CENTER

Incredible selection, great brands, knowledgeable sales help and value-added services make Dick's the one-stop shop for both beginners and fitness buffs. Our dedicated Fitness store carries a comprehensive assortment of cardio and strength equipment, encompassing "good-better-best" choices within each product category. We complement this selection with a full line of accessories, including pedometers, heart-rate monitors and body-fat scales, as well as the athletic apparel and footwear that each fitness pursuit demands. We help make purchases of large equipment easy by offering extended warranties and financing options, as well as by providing convenient services like assembly, home delivery and set-up. We use bold signage to help our customers navigate our product assortment and to clarify the quality and price distinctions among the selections within each product category.

We offer the nation's most trusted fitness brands, including Horizon, Bowflex and Everlast. We complement this assortment with our own high-quality fitness equipment under the Fitness Gear and Ativa names.

Our stores have an on-site fitness trainer certified by the International Fitness Professionals Association. These professionals support our customers with qualified advice, helping them to zero in on the best equipment and training tactics to attain their individual goals.

Our stores feature a dedicated cycle shop with a selection of bikes, accessories and riding apparel from manufacturers like Diamondback, Mongoose, and Dick's own Quest brand. We also employ certified bike technicians who can provide assembly, safety inspections, custom fittings, repairs and tune-ups.

EVERLAST
BELL
ZONE PILATES
The FIRM
CoreTraining
YOGA
LEARN BEFORE YOU BUY
PSE7
SAVE $20
MOVING

FOOTWEAR

However you run and whatever you play, Dick's Sporting Goods' Footwear shop is your destination for a comprehensive assortment that includes the latest products in performance athletic footwear. In 2006, we helped to launch the Nike + iPod Sport Kit, which allows runners to link their Nike+ footwear with an Apple iPod® nano so they can access on-demand updates on the progress of their workout, including their speed, the distance they have covered and the calories they have burned, throughout their run. We were also among the first to market Under Armour's line of football cleats. Our Footwear store is a full-service location that combines premier brands, high-performance products and an extensive selection of specialty footwear for every sport in every season. Our customers count on us to have the latest new products, and they appreciate the fact that each of our selling floors has an authentic in-store track where they can test-run potential purchases. We round out our Footwear store experience by hosting exclusive vendor and sport-driven promotions throughout the year.

We draw on our longstanding relationships with the industry's top manufacturers, including Nike, Asics, New Balance, and adidas, to offer a full-line of the latest performance athletic footwear. As a result, our customers know that they can always get the most up-to-date products at Dick's.

Our trained sales associates understand the distinct benefits of new footwear products and can help guide our customers toward the best shoes for their sport, skill level and price point, for every sport and season.

EXCEED YOUR GOALS,
EVERY SEASON STARTS AT
DICK'S
SPORTING GOODS
DICK'S SPORTING GOODS

RUNNING

RUNNING

RUNNING

BASKETBALL

CROSSTRAINING

EASTON

Louisville Slugger

MIZUNO

ADULT GLOVES
YOUTH GLOVES
FAST PITCH GLOVES
YOUTH BA

Play Ball
DICK'S

UNDER ARMOUR

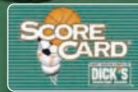
TEAM SPORTS

Team sports have become a year-'round activity, with today's players either competing or training continuously. Our Team Sports store is a full-service destination that can outfit players from head to toe for every season. Our selection includes equipment for a wide range of team sports, such as baseball, softball, soccer, basketball, football, lacrosse and women's fast pitch softball among others. For every sport, we carry an assortment of equipment, apparel, footwear, training devices and accessories from the top manufacturers in the industry. We make a point of stocking products suited for players of all levels — from beginners through experts — offering merchandise that often incorporates exclusive technology to help younger players and experts alike improve their performance. We organize our selection using clear signage, and a "good-better-best" format that helps players, coaches and parents to make quick product comparisons. Our commitment to authentic merchandise, year-'round availability and knowledgeable sales assistance all adds up to one thing — when players and teams in every sport want to go for the win, they come to Dick's Sporting Goods to get the equipment they need to train and compete.

Our assortment includes products from industry leading manufacturers, such as Nike, adidas, Mizuno, Under Armour and Warrior Lacrosse, as well as PowerBolt, our line of private-label equipment that combines high quality and great value.

We staff our Team Sports stores with sports enthusiasts who understand the sports they play and often have first-hand experience using our merchandise.

Our ScoreCard Rewards Program provides repeat customers with product previews, special discounts, members-only savings events and a subscription to our exclusive ScoreCard Rewards Insider News.



ATHLETIC APPAREL

Today's athletes compete in every season, in every terrain, and in a vast range of weather conditions. Athletic apparel manufacturers respond to this by developing new products that can help athletes to regulate their body temperatures, stay comfortable and deliver top performance in all climates. Dick's Athletic Apparel store offers a broad assortment of performance athletic apparel for men, women and children that integrates advanced fabrics and finishes to help athletes perform and feel their best in every sport and athletic pursuit.

We carry the latest innovations in sports apparel, like Under Armour's Gear lines, Nike's Pro Compression, and adidas' ClimaCool products, each of which employs innovative fabrics that enable athletes to comfortably participate in their sports and perform their best in all weather conditions.

Dick's exclusive private-label brands, Ativa and Fitness Gear, utilize advanced fabrics to provide our customers with a unique collection of sports apparel that delivers exceptional quality and value.

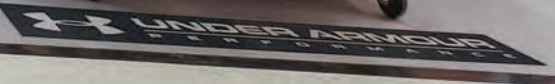
Our Apparel store includes a dedicated section for Women's athletic apparel, which features a full line of specialized clothing from leading athletic brands that's built for comfort and performance.

UNIVERSAL GUARANTEE OF PERFORMANCE.
PROTECT THIS HOUSE.

UNDER ARMOUR HEADQUARTERS
DICK'S

EVERY SEASON STARTS AT
DICK'S SPORTING GOODS
UNDER ARMOUR HEADQUARTERS

Play Ball
DICK'S

UNDER ARMOUR
COTTON IS THE ENEMY.
$19.99 - $24.99
UA TECH

UNDER ARMOUR
PERFORMANCE

MOVING AHEAD

Dicks is moving ahead with a sharp focus on growth and discipline. We believe that our industry affords us significant opportunity to expand our presence in established geographic markets and to penetrate new regions. We intend to seize this opportunity. Over the coming years, we expect to grow our store base by approximately 15 percent per year, extending our reach across the nation. As we pursue our growth, we are committed to improving our profitability, maintaining our tradition of excellence in execution and continuing to deliver consistent profitable growth. Our long-term financial goals are to expand our operating margin by approximately 30 basis points and grow our earnings by approximately 20 percent each year.

We are confident in our abilities to accomplish these goals. We have a highly recognized brand that is backed by solid relationships with the sporting goods industry's top manufacturers. We have a strong balance sheet; excellent store operation skills; and a proven management team. What's more, we have the ongoing support of a large and loyal base of customers who continuously help to ensure that **Every Season Starts at Dick's.**

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, a highly scalable supply chain platform geared to drive productivity and improve supply chain response times:

- Implemented the transportation management segment centrally
- Implemented the warehouse management segment in our Plainfield, Indiana distribution center

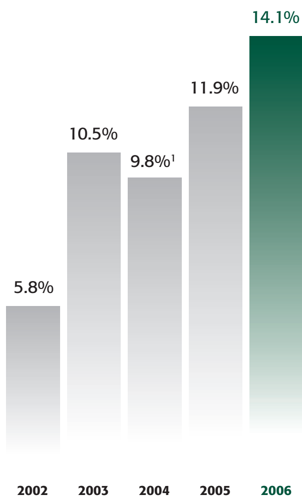
Applied new reporting processes to provide our merchandising organization with more detailed and timely data

2006

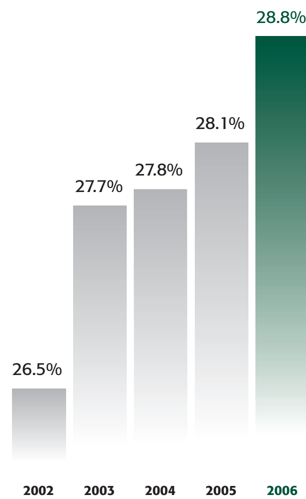
Completed the expansion of our distribution center in Plainfield, Indiana, increasing our total network capacity to service 460 stores

Launched a re-designed website that delivers enhanced features and an improved customer experience

PRIVATE LABEL SALES
(PERCENTAGE)



GROSS PROFIT MARGINS
(PERCENTAGE)



[1] *Acquired Galyan's in July 2004; Dick's private label program introduced in Galyan's stores in 2005*

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FIVE–YEAR FINANCIAL SUMMARY

Fiscal Year	2006	2005	2004	2003	2002
(Dollars in thousands, except per share and sales per square foot data)					
Statement of Income Data:					
Net sales	$ 3,114,162	$ 2,624,987	$ 2,109,399	$ 1,470,845	$ 1,272,584
Cost of goods sold[1]	2,217,463	1,887,347	1,522,873	1,062,820	934,956
Gross profit	896,699	737,640	586,526	408,025	337,628
Selling, general and administrative expenses	682,625	556,320	443,776	314,885	262,755
Merger integration and store closing costs	–	37,790	20,336	–	–
Pre-opening expenses	16,364	10,781	11,545	7,499	6,000
Income from operations	197,710	132,749	110,869	85,641	68,873
(Gain) on sale / loss on write-down of non-cash investment[2,3]	–	(1,844)	(10,981)	(3,536)	2,447
Interest expense, net	10,025	12,959	8,009	1,831	2,864
Other income	–	–	(1,000)	–	–
Income before income taxes	187,685	121,634	114,841	87,346	63,562
Provision for income taxes	75,074	48,654	45,936	34,938	25,425
Net income	**$ 112,611**	**$ 72,980**	**$ 68,905**	**$ 52,408**	**$ 38,137**
Earnings per Common Share[4]:					
Net income per common share – Basic	$ 2.20	$ 1.47	$ 1.44	$ 1.17	$ 1.08
Net income per common share – Diluted	$ 2.03	$ 1.35	$ 1.30	$ 1.04	$ 0.93
Weighted average number of common shares outstanding (in thousands):					
Basic	51,256	49,792	47,978	44,774	35,458
Diluted	55,395	53,979	52,921	50,280	40,958
Store Data:					
Comparable store net sales increase[5]	6.0%	2.6%	2.6%	2.1%	5.1%
Number of stores at end of period	294	255	234	163	141
Total square feet at end of period	16,724,171	14,650,459	13,514,869	7,919,138	6,807,021
Net sales per square foot[6]	$ 197	$ 188	$ 195	$ 193	$ 192
Other Data:					
Gross profit margin	28.8%	28.1%	27.8%	27.7%	26.5%
Selling, general and administrative percentage of net sales	21.9%	21.2%	21.0%	21.4%	20.7%
Operating margin	6.3%	5.1%	5.3%	5.8%	5.4%
Inventory turnover[7]	3.34x	3.42x	3.56x	3.69x	3.83x
Depreciation and amortization	$ 54,929	$ 49,861	$ 37,621	$ 17,554	$ 14,420
Balance Sheet Data:					
Inventories	$ 641,464	$ 535,698	$ 457,618	$ 254,360	$ 233,497
Working capital[8]	$ 304,796	$ 142,748	$ 128,388	$ 136,679	$ 55,102
Total assets	$ 1,524,265	$ 1,187,789	$ 1,085,048	$ 543,360	$ 413,529
Total debt including capital lease obligations	$ 181,017	$ 181,201	$ 258,004	$ 3,916	$ 3,577
Retained earnings	$ 315,453	$ 202,842	$ 129,862	$ 60,957	$ 8,549
Total stockholders' equity	$ 620,550	$ 414,793	$ 313,667	$ 240,894	$ 138,823

[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 to an equity ownership in that provider in lieu of royalties until Internet sales reached a predefined amount 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 full year comparable store base beginning in 2007.

[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 monthly ending inventories of the last 13 months.

[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 "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 February 3, 2007 we operated 294 stores, with approximately 16.7 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 February 3, 2007 of $112.6 million or $2.03 per diluted share as compared to net income of $73.0 million and earnings per diluted share of $1.35 in 2005. The increase in earnings was attributable to an increase in sales as a result of a 6.0% increase in comparable store sales, new store sales and an increase in gross profit margins partially offset by an increase in selling, general and administrative expenses as a percentage of sales.

Net sales increased 19% to $3,114 million in 2006 from $2,625 million in 2005. This increase resulted primarily from a comparable store sales increase of 6.0%, or $105.9 million on a 52 week to 52 week basis, and $383.1 million from the net addition of new stores in the last five quarters which are not included in the comparable store base and the inclusion of a 53rd week of sales.

Income from operations increased 49% to $197.7 million in 2006 from $132.7 million in 2005 due primarily to the increase in gross profit, and the inclusion of merger integration and store closing costs in 2005 partially offset by an increase in selling, general and administrative costs.

As a percentage of net sales, gross profit increased to 28.79% in 2006 from 28.10% in 2005. The gross profit percentage increased primarily due to an increase in the merchandise margin percentage, lower freight and distribution costs as a percentage of sales and lower occupancy costs as a percentage of sales.

Selling, general and administrative expenses increased by 73 basis points. The increase as a percentage of sales was due primarily to recording stock compensation expense in fiscal 2006 upon the Company's adoption of SFAS 123R on January 29, 2006, an increase in net advertising expense and higher bonus expense this year.

We ended the year with no borrowings on our line of credit and excess borrowing availability totaled $333.5 million as of February 3, 2007.

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	**2006**[A]	2005[A]	2004[A]	Percentage of Net Sales from Prior Year 2005–2006[A]	Percentage of Net Sales from Prior Year 2004–2005[A]
Net sales[1]	100.00%	100.00%	100.00%	N/A	N/A
Cost of goods sold, including occupancy and distribution costs[2]	71.21	71.90	72.19	(69)	(29)
Gross profit	28.79	28.10	27.81	69	29
Selling, general and administrative expenses[3]	21.92	21.19	21.04	73	15
Merger integration and store closing costs[4]	–	1.44	0.96	(144)	48
Pre-opening expenses[5]	0.53	0.41	0.55	12	(14)
Income from operations	6.35	5.06	5.26	129	(20)
Gain on sale of investment[6]	–	(0.07)	(0.52)	(7)	(45)
Interest expense, net[7]	0.32	0.49	0.38	(17)	11
Other income	–	–	(0.05)	–	(5)
Income before income taxes	6.03	4.63	5.44	140	(81)
Provision for income taxes	2.41	1.85	2.18	56	(33)
Net income	**3.62%**	**2.78%**	**3.27%**	**84**	**(49)**

[A] Column does not add due to rounding

[1] Revenue from retail sales is recognized at the point of sale, net of sales tax. A provision for anticipated merchandise returns is provided through a reduction of sales and cost of sales in the period that the related sales are recorded. Revenue from gift cards and returned merchandise credits (collectively the "cards"), are deferred and recognized upon the redemption of the cards. These cards have no expiration date. Income from unredeemed cards is recognized in the consolidated statements of income in selling, general and administrative expenses at the point at which redemption becomes remote. The Company performs an evaluation of the aging of the unredeemed cards, based on the elapsed time from the date of original issuance, to determine when redemption is remote. 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 2006 (53 weeks) Compared to Fiscal 2005 (52 weeks)

Net Income Net income increased to $112.6 million in 2006 from $73.0 million in 2005. This represented an increase in diluted earnings per share of $0.68, or 50% to $2.03 from $1.35. 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.

Net Sales Net sales increased 19% to $3,114 million in 2006 from $2,625 million in 2005. This increase resulted primarily from a comparable store sales increase of 6.0%, or $105.9 million on a 52 week to 52 week basis, and $383.1 million from the net addition of new stores in the last five quarters which are not included in the comparable store base and the inclusion of a 53rd week of sales.

The increase in comparable store sales is mostly attributable to sales increases in men's and women's apparel, kids, athletic and casual footwear, licensed merchandise, baseball, hunting, camping and guns, partially offset by lower sales of bikes, boots, snow sports and outerwear accessories.

Private Label Sales For the year ended February 3, 2007, private label product sales in total for all stores represented 14.1% of sales, an increase from last year's 11.9% of sales. These private label sales are for the merchandise developed by Dick's.

Store Count During 2006, we opened 39 stores and relocated two stores. As of February 3, 2007 we operated 294 stores, with approximately 16.7 million square feet, in 34 states.

Income from Operations Income from operations increased 49% to $197.7 million in 2006 from $132.7 million in 2005 due primarily to the increase in gross profit, partially offset by an increase in selling, general and administrative costs.

Gross profit increased 22% to $896.7 million in 2006 from $737.6 million in 2005. As a percentage of net sales, gross profit increased to 28.79% in 2006 from 28.10% in 2005. The gross profit percentage increased primarily due to improved merchandise margins in the majority of the Company's product categories, lower freight and distributions costs as a percentage of sales (14 basis points) due to cost minimization practices at our distribution centers and lower occupancy costs as a percentage of sales (14 basis points) due to the leverage from higher sales.

Selling, general and administrative expenses increased to $682.6 million in 2006 from $556.3 million in 2005 due primarily to an increase in store count and continued investment in corporate and store infrastructure.

The 73 basis point increase over last year was due primarily to an increase in net advertising expense (29 basis points), the recording of stock compensation expense in 2006 due to the Company's adoption of FAS 123R (78 basis points) and higher bonus expense (19 basis points) partially offset by a decrease in store payroll (40 basis points) due to the leverage from higher sales.

Merger integration and store closing costs associated with the purchase of Galyan's of $37.8 million were recognized in 2005. The cost relates primarily 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 increased by $5.6 million to $16.4 million in 2006 from $10.8 million in 2005. Pre-opening expenses were for the opening of 39 new stores and relocation of two stores in 2006 compared to the opening of 26 new stores and relocation of four stores in 2005. Pre-opening expenses in any year fluctuate depending on the timing and number of store openings and relocations. During 2006, Dick's recognized rental costs associated with its operating leases that were incurred during the construction period in accordance with FSP 13-1, "Accounting for Rental Costs Incurred during a Construction Period."

Gain on Sale of Investment Gain on sale of investment was $1.8 million in 2005. 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, decreased by $3.0 million to $10.0 million in 2006 from $13.0 million in 2005 due primarily to lower average borrowings on the Company's senior secured revolving credit facility.

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 were 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.

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 2006 and 2005 was our net cash provided by financing activities.

The change in cash and cash equivalents is as follows:

Fiscal Year Ended	February 3, 2007	January 28, 2006	January 29, 2005
Net cash provided by operating activities	$ 196,216	$ 169,530	$ 107,841
Net cash used in investing activities	(169,191)	(93,718)	(414,772)
Net cash provided (used in) by financing activities	72,353	(58,134)	232,143
Net increase (decrease) in cash and cash equivalents	**$ 99,378**	**$ 17,678**	**$ (74,788)**

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 $26.7 million in 2006 to $196.2 million, which consists primarily of higher net income of $39.6 million and an increase in the change in assets and liabilities of $16.1 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, accrued expenses and deferred construction allowances, partially offset by an increase in the change in inventory and prepaid expenses.

The increase in the change in accrued expenses was primarily due to higher bonus expense, an increase in advertising accruals and an increase in capital accruals due to higher store count and an increase in the number of new stores planned for 2007 compared to 2006. The increase in deferred construction allowances is primarily related to higher tenant allowances associated with our 2006 stores compared to 2005. Partially offsetting these cash inflows was the increase in inventory, which was primarily due to higher store count and business initiatives that accelerated inventory receipts at the end of 2006 compared to 2005 and the increase in prepaid expenses as a result of the 53rd week, which caused the first week of February 2007 to fall into fiscal January 2006.

The cash flows from operating the Company's stores is a significant source of liquidity, and will continue to be used in 2007 primarily to purchase inventory, make capital improvements and open new stores. All of the Company's revenues are realized at the point-of-sale in the stores.

Investing Activities

Cash used in investing activities increased by $75.5 million in 2006 to $169.2 million. Net capital expenditures increased $72.3 million due to an increase in capital expenditures of $78.3 million and partially offset by an increase in sale-leaseback proceeds of $6.0 million.

Purchases of property and equipment were $190.3 million in fiscal 2006, $112.0 million in fiscal 2005 and $104.9 million in fiscal 2004. Capital expenditures in fiscal 2006 relate primarily to the opening of 39 new stores and the relocation of two stores, information systems and administrative and distribution facilities. The Company generated proceeds from the sale and leaseback of property and equipment, primarily its store fixtures, totaling $24.8 million, $18.8 million and $35.7 million in fiscal 2006, 2005 and 2004, respectively. In addition, the Company recognized landlord reimbursements totaling $55.9 million, $53.1 million and $69.2 million in fiscal 2006, 2005 and 2004, respectively.

During 2006, we opened 39 stores and relocated two stores compared to opening 26 stores and the relocation of four stores during 2005. 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 2006 or 2005.

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.

Financing Activities

Cash provided in financing activities increased by $130.5 million to $72.4 million primarily due to a decrease in revolving credit payments of $76.1 million as the Company had no outstanding borrowings at February 3, 2007 or January 28, 2006. In addition, the Company received $23.0 million of proceeds from the exercise of stock options, an increase of $15.6 million in 2006 compared to 2005.

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 February 3, 2007 and January 28, 2006. Total remaining borrowing capacity, after subtracting letters of credit as of February 3, 2007 and January 28, 2006 was $333.5 million and $275.6 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 February 3, 2007, the Company was in compliance with the terms of the Credit Agreement.

Cash requirements in 2007, 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 45 new stores and relocate one store during 2007. The Company also anticipates incurring additional expenditures for Dick's remodeling or relocating certain existing stores. The Company also plans to open 17 new Golf Galaxy stores during 2007. 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 $130 million in 2007, including Golf Galaxy capital expenditure requirements.

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 2007. 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 off-balance sheet contractual obligations and commercial commitments as of February 3, 2007 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 February 3, 2007, 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 (see Note 7)	$ 255,085	$ –	$ –	$ –	$ 255,085
Capital lease obligations (see Note 7)	7,809	106	329	454	6,920
Other long-term debt (see Note 7)	708	46	97	105	460
Interest payments	17,194	4,879	5,625	1,452	5,238
Operating lease obligations (see Note 8)	2,819,035	230,830	472,452	463,983	1,651,770
Future minimum guaranteed contractual payments (see Note 15)	31,350	1,000	2,750	3,600	24,000
Total contractual obligations	**$ 3,131,181**	**$ 236,861**	**$ 481,253**	**$ 469,594**	**$ 1,943,473**

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 February 3, 2007:

	Total	Less than 1 year
(Dollars in thousands)		
Other commercial commitments:		
Documentary letters of credit	$ 2,901	$ 2,901
Standby letters of credit	13,613	13,613
Total other commercial commitments	**$ 16,514**	**$ 16,514**

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

Outlook

Full Year 2007 – (52-Week Year) Comparisons to Fiscal 2006 – (53-Week Year)

- Based on an estimated 58 million shares outstanding, the Company anticipates reporting earnings per share of approximately $2.37 – 2.40. This represents an approximate 18% increase over earnings per share for the full year 2006 of $2.03 and includes the expected results of Golf Galaxy.
- Comparable store sales are expected to increase approximately 2% at Dick's Sporting Goods stores.
- The Company expects to open 45 new Dick's stores, 17 new Golf Galaxy stores and relocate one Dick's store in 2007.

First Quarter 2007

- Based on an estimated 57 million shares outstanding, the Company anticipates reporting earnings per share of $0.35 – 0.38 as compared to first quarter 2006 earnings per share of $0.21.
- Comparable store sales at Dick's Sporting Goods stores are expected to increase approximately 4–6%, or approximately 3%, adjusting for the shifted retail calendar due to the 53rd week in 2006.
- The Company expects to open 11 new Dick's stores and 10 new Golf Galaxy stores in the first quarter.

Newly Issued Accounting Standards In June 2006, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 06-3 ("EITF 06-3"), "Disclosure Requirements for Taxes Assessed by a Governmental Authority on Revenue-Producing Transactions," which provides that entities should present such taxes on either a gross or net basis based on their accounting policies. The Company's accounting policy is to record such taxes on a net basis. EITF 06-3 is effective for interim and annual reporting periods beginning after December 15, 2006. The implementation of EITF 06-3 in the first quarter of fiscal 2007 will not have a material impact on our financial statements.

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 is an interpretation of FASB Statement No. 109, "Accounting for Income Taxes," and it seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. In addition, FIN 48 requires expanded disclosure with respect to the uncertainty in income taxes and is effective as of the beginning of our 2007 fiscal year. The cumulative effect, if any, of adopting FIN 48 will be recorded as an adjustment to retained earnings as of the beginning of fiscal 2007. The Company expects that the financial impact of applying the provisions of FIN 48 to all tax positions will not be material upon the initial adoption of FIN 48.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, established a framework for measuring fair value and expands disclosures about fair value measurements; however, SFAS 157 does not require any new fair value measurements. SFAS 157 is effective as of the beginning of our 2008 fiscal year. We are currently evaluating the impact, if any, that SFAS 157 will have on our 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 finite-lived 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 the reporting unit. 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 acquisitions are accounted for under the purchase method of accounting. The assets and liabilities are adjusted to their fair values and the excess of the purchase price over the net assets acquired is recorded as goodwill. The determination of fair value involves 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.

Stock-Based Compensation The Company accounts for stock-based compensation in accordance with the fair value recognition provisions of SFAS 123R. The Company uses the Black-Scholes option-pricing model which requires the input of assumptions. These assumptions include estimating the length of time employees will retain their vested stock options before exercising them ("expected term"), the estimated volatility of the Company's common stock price over the expected term and the number of options that will ultimately not complete their vesting requirements ("forfeitures"). Changes in the assumptions can materially affect the estimate of fair value of stock-based compensation and consequently, the related amount recognized in the consolidated statements of income.

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 2007 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 and 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 (including our merger with Golf Galaxy); 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; regional risks because our stores are generally concentrated in the eastern half of the United States; our ability to repay or make the cash payments under our senior convertible notes; the outcome of litigation or legal actions against us; 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 February 13, 2007, Dick's Sporting Goods, Inc. acquired Golf Galaxy, Inc. ("Golf Galaxy") which became a wholly owned subsidiary of Dick's by means of a merger of Dick's subsidiary with and into Golf Galaxy. Due to this acquisition, additional risks and uncertainties arise that could affect our financial performance and actual results and could cause actual results for 2007 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. Such risks, which are difficult to predict with a level of certainty and may be greater than expected, include, among others, risk associated with combining businesses and/or with assimilating Golf Galaxy.

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 February 3, 2007 and January 28, 2006. 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 $0.3 million based upon fiscal 2006 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 37.

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 February 3, 2007. Management's assessment of the effectiveness of our internal control over financial reporting as of February 3, 2007 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

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 February 3, 2007 and January 28, 2006, 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 February 3, 2007. 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 February 3, 2007 and January 28, 2006, and the results of their operations and their cash flows for each of the three fiscal years in the period ended February 3, 2007, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, on January 29, 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*.

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 February 3, 2007, 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, 2007 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, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited management's assessment, included in the accompanying *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 February 3, 2007, 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.

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 February 3, 2007, 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 February 3, 2007, 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 February 3, 2007 of the Company and our reports dated March 20, 2007 expressed an unqualified opinion on those financial statements and financial statement schedule and included an explanatory paragraph regarding the Company's adoption of Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*, on January 29, 2006.

Deloitte & Touche LLP

Pittsburgh, Pennsylvania
March 20, 2007

CONSOLIDATED STATEMENTS OF INCOME

Fiscal Year Ended	**February 3, 2007**	January 28, 2006	January 29, 2005
(Amounts in thousands, except per share data)			
Net sales	$ 3,114,162	$ 2,624,987	$ 2,109,399
Cost of goods sold, including occupancy and distribution costs	2,217,463	1,887,347	1,522,873
Gross profit	896,699	737,640	586,526
Selling, general and administrative expenses	682,625	556,320	443,776
Merger integration and store closing costs	–	37,790	20,336
Pre-opening expenses	16,364	10,781	11,545
Income from operations	197,710	132,749	110,869
Gain on sale of investment	–	(1,844)	(10,981)
Interest expense, net	10,025	12,959	8,009
Other income	–	–	(1,000)
Income before income taxes	187,685	121,634	114,841
Provision for income taxes	75,074	48,654	45,936
Net Income	**$ 112,611**	**$ 72,980**	**$ 68,905**
Earnings per common share:			
Basic	$ 2.20	$ 1.47	$ 1.44
Diluted	$ 2.03	$ 1.35	$ 1.30
Weighted average common shares outstanding:			
Basic	51,256	49,792	47,978
Diluted	55,395	53,979	52,921

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)	February 3, 2007	January 28, 2006
Assets		
Current assets:		
Cash and cash equivalents	$ 135,942	$ 36,564
Accounts receivable, net	39,687	29,365
Income tax receivable	15,671	–
Inventories, net	641,464	535,698
Prepaid expenses and other current assets	37,015	11,961
Deferred income taxes	–	429
Total current assets	869,779	614,017
Property and equipment, net	433,071	370,277
Construction in progress – leased facilities	13,087	7,338
Goodwill	156,628	156,628
Other assets:		
Deferred income taxes	17,440	8,959
Investments	3,008	3,197
Other	31,252	27,373
Total other assets	51,700	39,529
Total Assets	**$ 1,524,265**	**$ 1,187,789**
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 286,668	$ 253,395
Accrued expenses	190,365	136,520
Deferred revenue and other liabilities	87,798	62,792
Income taxes payable	–	18,381
Current portion of other long-term debt and capital leases	152	181
Total current liabilities	564,983	471,269
Long-term liabilities:		
Senior convertible notes	172,500	172,500
Revolving credit borrowings	–	–
Other long-term debt and capital leases	8,365	8,520
Non-cash obligations for construction in progress - leased facilities	13,087	7,338
Deferred revenue and other liabilities	144,780	113,369
Total long-term liabilities	338,732	301,727
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 39,691,277 and 36,545,332, at February 3, 2007 and January 28, 2006, respectively	397	365
Class B common stock, par value, $.01 per share, authorized shares 40,000,000 issued and outstanding shares 13,393,840 and 13,730,945, at February 3, 2007 and January 28, 2006, respectively	134	137
Additional paid-in capital	302,766	209,526
Retained earnings	315,453	202,842
Accumulated other comprehensive income	1,800	1,923
Total stockholders' equity	620,550	414,793
Total liabilities and stockholders' equity	**$ 1,524,265**	**$ 1,187,789**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Fiscal Year Ended	February 3, 2007	January 28, 2006	January 29, 2005
(Dollars in thousands)			
Net Income	$ 112,611	$ 72,980	$ 68,905
Other comprehensive income:			
Unrealized (loss) gain on securities available-for-sale, net of tax	(123)	1,126	5,417
Reclassification adjustment for gains realized in net income due to the sale of available-for-sale securities, net of tax	–	(1,199)	(7,138)
Comprehensive income	**$ 112,488**	**$ 72,907**	**$ 67,184**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock			Class B Common Stock		
(Dollars in thousands)	Shares		Dollars	Shares		Dollars
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
Exchange of Class B common stock for common stock	337,105		3	(337,105)		(3)
Sale of common stock under stock plans	122,982		2	–		–
Exercise of stock options	2,685,858		27	–		–
Tax benefit on convertible note bond hedge						
Net income	–		–	–		–
Unrealized loss on securities available-for-sale, net of taxes of $66	–		–	–		–
Stock -based compensation	–		–	–		–
Total tax benefit from exercise of stock options	–		–	–		–
BALANCE, February 3, 2007	**39,691,277**	**$**	**397**	**13,393,840**	**$**	**134**

See notes to consolidated financial statements.

Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
$ 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
–	–	–	–
3,732	–	–	3,734
23,015	–	–	23,042
2,686	–	–	2,686
–	112,611	–	112,611
–	–	(123)	(123)
24,303	–	–	24,303
39,504	–	–	39,504
$ 302,766	**$ 315,453**	**$ 1,800**	**$ 620,550**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Year Ended	February 3, 2007	January 28, 2006	January 29, 2005
(Dollars in thousands)			
Cash flows from operating activities:			
Net income	$ 112,611	$ 72,980	$ 68,905
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	54,929	49,861	37,621
Deferred income taxes	(1,110)	1,559	18,124
Stock based compensation	24,303	–	–
Excess tax benefit from stock-based compensation	(36,932)	–	–
Tax benefit from exercise of stock options	2,572	14,678	15,868
Gain on sale of investment	–	(1,844)	(10,981)
Other non-cash items	2,686	2,452	2,171
Changes in assets and liabilities:			
Accounts receivable	43,619	16,002	(3,470)
Income tax receivable	(15,671)	–	–
Inventories	(105,766)	(77,872)	(44,813)
Prepaid expenses and other assets	(29,039)	(2,589)	(2,177)
Accounts payable	24,444	35,119	(4,260)
Accrued expenses	42,479	(193)	(4,707)
Income taxes payable	20,421	19,144	—
Deferred construction allowances	30,110	11,032	29,072
Deferred revenue and other liabilities	26,560	29,201	6,488
Net cash provided by operating activities	196,216	169,530	107,841
Cash flows used in investing activities:			
Capital expenditures	(190,288)	(112,002)	(104,944)
Proceeds from sale-leaseback transactions	24,809	18,837	35,687
Payment for the purchase of Galyan's, net of $17,931 cash acquired	–	–	(351,554)
Purchase of held-to-maturity securities	–	–	(57,942)
Proceeds from sale of held-to-maturity securities	–	–	57,942
Proceeds from sale of investment	–	1,922	12,001
Increase in recoverable costs from developed properties	(3,712)	(2,475)	(5,962)
Net cash used in investing activities	(169,191)	(93,718)	(414,772)
Cash flows from financing activities:			
Proceeds from issuance of convertible notes	–	–	172,500
Revolving credit (payments) borrowings, net	–	(76,094)	76,094
Payments on long-term debt and capital leases	(184)	(560)	(537)
Payment for purchase of bond hedge	–	–	(33,120)
Proceeds from issuance of warrant	–	–	12,420
Transaction costs for convertible notes	–	–	(6,239)
Proceeds from sale of common stock under employee stock purchase plan	3,734	3,676	3,233
Proceeds from exercise of stock options	23,042	7,413	5,017
Excess tax benefit from stock-based compensation	36,932	–	–
Increase in bank overdraft	8,829	7,431	2,775
Net cash provided (used in) by financing activities	72,353	(58,134)	232,143
Net increase (decrease) in cash and cash equivalents	99,378	17,678	(74,788)
Cash and cash equivalents, beginning of period	36,564	18,886	93,674
Cash and cash equivalents, end of period	**$ 135,942**	**$ 36,564**	**$ 18,886**
Supplemental disclosure of cash flow information:			
Construction in progress - leased facilities	$ 5,749	$ (7,895)	$ 4,306
Accrued property and equipment	$ 11,475	$ (4,969)	$ 13,855
Cash paid during the year for interest	$ 9,286	$ 12,345	$ 5,862
Cash paid during the year for income taxes	$ 68,483	$ 4,569	$ 15,818

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED 2006, 2005 AND 2004

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 294 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.

Fiscal Year — The Company's fiscal year ends on the Saturday closest to the end of January. Fiscal years 2006, 2005 and 2004 ended on February 3, 2007, January 28, 2006 and January 29, 2005, respectively. All fiscal years presented include 52 weeks of operations except fiscal 2006, which includes 53 weeks.

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 $0.8 million, $0.2 million and $1.1 million for fiscal 2006, 2005 and 2004, 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 February 3, 2007 and January 28, 2006 include $76.8 million and $68.0 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 $2.0 million and $1.9 million, as of February 3, 2007 and January 28, 2006, 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 $52.3 million and $38.2 million at February 3, 2007 and January 28, 2006, respectively.

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

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

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

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

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

Goodwill and Intangible Assets – In accordance with SFAS No. 142, "Accounting for Goodwill and Other Intangible Assets," the Company will continue to assess on an annual basis whether goodwill 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 reviewed for impairment when factors indicate that an impairment may have occurred. No impairment of goodwill or intangible assets was recorded during fiscal 2006, 2005 or 2004.

Investments – Investments consist of shares of unregistered common stock and is 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 13).

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 capitalized prior to the adoption of FSP 13-1, amounts deferred relating to the investment in GSI (see Note 13) 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 $100.1 million at February 3, 2007 and $73.3 million at January 28, 2006. Deferred revenue related to gift cards at February 3, 2007 and January 28, 2006 was $72.3 million and $58.1 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 and $20.3 for fiscal 2005 and 2004, respectively.

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 grants stock options to purchase common stock under the Company's 2002 Stock Option Plan (the "Plan"). The Company also has an employee stock purchase plan ("ESPP") which provides for eligible employees to purchase shares of the Company's common stock.

Prior to the January 29, 2006 adoption of the Financial Accounting Standards Board ("FASB") Statement No. 123(R), "Share-Based Payment" ("SFAS 123R"), the Company accounted 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, because 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, and any purchase discounts under the Company's ESPP plan were within statutory limits, no compensation expense was recognized by the Company for stock-based compensation. As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), stock-based compensation was included as a proforma disclosure in the notes to the consolidated financial statements.

Effective January 29, 2006, the Company adopted the fair value recognition provisions of SFAS 123R, using the modified-prospective transition method. Under this transition method, stock-based compensation expense was recognized in the consolidated financial statements for granted, modified, or settled stock options and for expense related to the ESPP, since the related purchase discount exceeded the amount allowed under SFAS 123R for non-compensatory treatment. The provisions of SFAS 123R apply to new stock options and stock options outstanding, but not yet vested, on the effective date of January 29, 2006. Results for prior periods have not been restated, as provided for under the modified-prospective transition method.

Total stock-based compensation expense recognized for the year ended February 3, 2007 was $24.3 million before income taxes and consisted of stock option and ESPP expense of $23.1 million and $1.2 million, respectively. Based upon the nature of the employees to which it relates, the expense was recorded in selling, general and administrative expenses in the consolidated statements of income. The related total tax benefit was $9.3 million for the year ended February 3, 2007.

Prior to the adoption of SFAS 123R, the Company presented all tax benefits resulting from the exercise of stock options as operating cash inflows in the consolidated statements of cash flows, in accordance with the provisions of the Emerging Issues Task Force ("EITF") Issue No 00-15, "Classification in the Statement of Cash Flows of the Income Tax Benefit Received by a Company upon Exercise of a Nonqualified Employee Stock Option." SFAS 123R requires the benefits of tax deductions in excess of the compensation cost recognized for those options to be classified as financing cash inflows rather than operating cash inflows, on a prospective basis. This amount is shown as "Excess tax benefit from stock-based compensation" on the consolidated statements of cash flows.

In November 2005, the FASB issued Staff Position No. FAS 123(R)-3, "Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards" ("FSP 123R-3"). The Company has elected to adopt the alternative transition method provided in FSP 123R-3 for calculating the tax effects of stock-based compensation under SFAS 123R. The alternative transition method includes simplified methods to establish the beginning balance of the additional paid-in capital pool ("APIC pool") related to the tax effects of stock-based compensation, and for determining the impact on the APIC pool and consolidated statements of cash flows of the tax effects of stock-based compensation awards that are outstanding upon adoption of SFAS 123R.

The following table illustrates the effect on the net income and net income per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation (see Note 9):

	2005	2004
(Dollars in thousands, except per share data)		
Net income, as reported	$ 72,980	$ 68,905
Deduct: Stock-based compensation expense, net of tax of related tax effects	(13,484)	(11,761)
Proforma net income	**$ 59,496**	**$ 57,144**
Net income per common share – basic		
As reported	$ 1.47	$ 1.44
Deduct: Stock-based compensation expense, net of tax	(0.28)	(0.25)
Proforma	**$ 1.19**	**$ 1.19**
Net income per common share – diluted:		
As reported	$ 1.35	$ 1.30
Deduct: Stock-based compensation expense, net of tax	(0.25)	(0.22)
Proforma	**$ 1.10**	**$ 1.08**

Disclosures for 2006 are not presented because the amounts are recognized in the consolidated statements of income.

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		
Black - Scholes Valuation Assumptions[1]	**2006**	Proforma 2005	Proforma 2004	**2006**	Proforma 2005	Proforma 2004
Expected life (years)[2]	5.29	5.29	5	0.5	0.5	0.5
Expected volatility[3]	37%–39%	39%–41%	52%–54%	24%–32%	27%–40%	26%–30%
Weighted average volatility	38.79%	40.53%	53.32%	28.44%	35.10%	27.84%
Risk-free interest rate[4]	4.44%–4.97%	3.63%–4.44%	3.42%–3.96%	5.09%–5.31%	3.38%–4.40%	1.69%–2.61%
Expected dividend yield	–	–	–	–	–	–
Weighted average fair values	$ 16.67	$ 15.26	$ 15.77	$ 10.24	$ 8.29	$ 7.21

[1] Beginning on the date of adoption of SFAS 123R, forfeitures are estimated based on historical experience, prior to the date of adoption, forfeitures were recorded as they occurred.

[2] The expected life of the options represents the estimated period of time until exercise and is based on historical experience of the similar awards.

[3] Beginning on the date of adoption of SFAS 123R, expected volatility is based on the historical volatility of the Company's common stock since the inception of the Company's shares being publicly traded in October 2002; prior to the date of adoption, expected volatility was estimated using the Company's historical volatility and volatility of other publicly-traded retailers.

[4] The risk-free interest rate is based on the implied yield available on U.S. Treasury constant maturity interest rates whose term is consistent with the expected life of the stock options.

The assumptions used to calculate the fair value of options granted are evaluated and revised, as necessary, to reflect market conditions and experience. See Note 9 for additional details regarding stock-based compensation.

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 $122.9 million, $96.1 million and $78.3 million for fiscal 2006, 2005 and 2004, 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	**2006**	2005	2004
(Dollars in millions)			
Hardlines	$ 1,768	$ 1,497	$ 1,216
Apparel	811	672	530
Footwear	535	456	363
Total net sales	**$ 3,114**	**$ 2,625**	**$ 2,109**

Newly Issued Accounting Pronouncements — In June 2006, the EITF reached a consensus on Issue No. 06-3 ("EITF 06-3"), "Disclosure Requirements for Taxes Assessed by a Governmental Authority on Revenue-Producing Transactions," which provides that entities should present such taxes on either a gross or net basis based on their accounting policies. The Company's accounting policy is to record such taxes on a net basis. EITF 06-3 is effective for interim and annual reporting periods beginning after December 15, 2006. The implementation of EITF 06-3 in the first quarter of fiscal 2007 will not have a material impact on our financial statements.

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 is an interpretation of FASB Statement No. 109, "Accounting for Income Taxes," and it seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. In addition, FIN 48 requires expanded disclosure with respect to the uncertainty in income taxes and is effective as of the beginning of our 2007 fiscal year. The cumulative effect, if any, of adopting FIN 48 will be recorded as an adjustment to retained earnings as of the beginning of fiscal 2007. The Company expects that the financial impact of applying the provisions of FIN 48 to all tax positions will not be material upon the initial adoption of FIN 48.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, established a framework for measuring fair value and expands disclosures about fair value measurements; however, SFAS 157 does not require any new fair value measurements. SFAS 157 is effective as of the beginning of our 2008 fiscal year. We are currently evaluating the impact, if any, that SFAS 157 will have on our 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 February 3, 2007, the Company had a net receivable of $0.7 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 2006, 2005 and 2004:

(In thousands)	Associate Severance, Retention and Relocation	Liabilities Established for the Closing of Galyan's stores and Corporate Headquarters	Inventory Reserve for Discontinued Galyan's Merchandise	Total
Liabilities and reserves established in 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)
Cash paid (net of sublease receipts)	(120)	(85)	–	(205)
Adjustments to the estimate	–	–	–	–
Clearance of discontinued Galyan's merchandise	–	–	–	–
Balance at February 3, 2007	**$ –**	**$ (654)**	**$ –**	**$ (654)**

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 the 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 for the year ended January 29, 2005, to reflect the increase in borrowings under the amended credit facility to finance the acquisition as if it had occurred at the beginning of the 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 period presented, nor is it necessarily indicative of the future results of operations of the combined companies.

Year Ended	January 29, 2005
(Unaudited, in thousands, except per share amounts)	
Net sales	$ 2,448,643
Net income	$ 56,452
Basic earnings per share	$ 1.18
Diluted earnings per share	$ 1.07

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 reviewed for impairment when factors indicate that an impairment may have occurred. No amounts assigned to any intangible assets are deductible for tax purposes.

Acquired intangible assets subject to amortization at February 3, 2007 were as follows:

	2006		2005		2004	
Intangible Assets Subject to Amortization:	**Gross Amount**	**Accumulated Amortization**	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
(In thousands)						
Favorable leases	$ 5,310	$ (186)	$ 5,310	$ (45)	$ 5,310	$ 1

The estimated weighted average economic useful life is 10 years. The annual amortization expense of the favorable leases recorded as of February 3, 2007 is expected to be as follows:

Fiscal Years	Estimated Amortization Expense
(In thousands)	
2007	241
2008	345
2009	453
2010	590
2011	548
Thereafter	2,947
Total	**$ 5,124**

4. Store and Corporate Office Closings

At a store's closing or relocation date, estimated lease termination and other costs to close or relocate a store are recorded in cost of goods sold, including occupancy and distribution costs on the consolidated statements of income. The calculation of accrued lease termination and other costs primarily includes future minimum lease payments, maintenance costs and taxes from the date of closure or relocation to the end of the remaining lease term, net of contractual or estimated sublease income. The liability is discounted using a credit-adjusted risk-free rate of interest. The assumptions used in the calculation of the accrued lease termination and other costs are evaluated each quarter.

The following table summarizes the activity of the store closing reserves established due to Dick's store closings as a result of the Galyan's acquisition as well as the relocation of two stores during fiscal 2006:

	2006	2005
(In thousands)		
Accrued store closing and relocation reserves, beginning of period	$ 20,181	$3,191
Expense charged to earnings	4,328	21,545
Cash payments	(4,867)	(4,555)
Interest accretion and other changes in assumptions	261	–
Accrued store closing and relocation reserves, end of period	19,903	20,181
Less current portion of accrued store closing and relocation reserves	(6,135)	(4,845)
Long-term portion of accrued store closing and relocation reserves	**$ 13,768**	**$ 15,336**

The $4.3 million of expense charged to earnings for the year was recorded in cost of goods sold, including occupancy and distribution costs in the consolidated statements of income. The current portion of accrued store closing and relocation reserves is recorded in accrued expenses and the long-term portion is recorded in long-term deferred revenue and other liabilities in the consolidated balance sheets.

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)	2006	2005
Buildings and land	$ 31,820	$ 31,820
Leasehold improvements	374,879	313,075
Furniture, fixtures and equipment	330,757	280,376
	737,456	625,271
Less: accumulated depreciation and amortization	(304,385)	(254,994)
Net property and equipment	**$ 433,071**	**$ 370,277**

6. Accrued Expenses

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

(In thousands)	2006	2005
Accrued payroll, withholdings and benefits	$ 52,988	$ 36,859
Accrued property and equipment	34,537	23,062
Other accrued expenses	102,840	76,599
Total accrued expenses	**$ 190,365**	**$ 136,520**

7. Debt

The Company's outstanding debt at February 3, 2007 and January 28, 2006 was as follows:

(In thousands)	2006	2005
Senior convertible notes	$ 172,500	$ 172,500
Revolving line of credit	–	–
Capital leases	7,809	7,909
Third-party debt	708	752
Related party debt	–	40
Total debt	181,017	181,201
Less: current portion	(152)	(181)
Total long-term debt	**$ 180,865**	**$ 181,020**

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 term 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 February 3, 2007 and January 28, 2006, the Company's total remaining borrowing capacity, after subtracting letters of credit, under the Credit Agreement was $333.5 million and $275.6 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 $103.5 million as of February 3, 2007.

At February 3, 2007 and January 28, 2006, the prime rate was 8.25% and 7.25%, respectively, and LIBOR was 5.32% and 4.57%, respectively. There were no outstanding borrowings at February 3, 2007 and January 28, 2006.

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. As of February 3, 2007, the Company was in compliance with the terms of the Credit Agreement.

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 February 3, 2007 and January 28, 2006, the Company had outstanding letters of credit totaling $16.5 million and $17.8 million, respectively.

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

(Dollars in thousands)	2006	2005
Balance, fiscal period end	$ –	$ –
Average interest rate	6.57%	4.76%
Maximum outstanding during the year	$ 169,981	$ 251,963
Average outstanding during the year	$ 57,138	$ 134,610

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

(Dollars in thousands)	2006	2005
Third-Party:		
Note payable, due in monthly installments of approximately $4, including interest at 4%, through 2020	$ 708	$ 752
Related Party:		
Note payable to a former principal stockholder, due in monthly installments of approximately $14, including interest at 12%, through May 1, 2006	–	40
Total other debt	708	792
Less current portion of:		
Third-party	(46)	(44)
Related party	–	(40)
Total Other Long-Term Debt	**$ 662**	**$ 708**

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 February 3, 2007 are as follows:

Fiscal Year (In thousands)	
2007	$ 46
2008	48
2009	49
2010	52
2011	53
Thereafter	460
	$ 708

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 $4.2 million, respectively as of February 3, 2007 and $8.2 million and $4.6 million, respectively as of January 28, 2006.

Scheduled lease payments under capital lease obligations as of February 3, 2007 are as follows:

Fiscal Year	
(In thousands)	
2007	$ 888
2008	905
2009	953
2010	953
2011	953
Thereafter	12,157
	16,809
Less: amounts representing interest	(9,000)
Present value of net scheduled lease payments	7,809
Less: amounts due in one year	(106)
	$ 7,703

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 $205.8 million, $196.3 million and $144.0 million for fiscal 2006, 2005 and 2004, respectively. The Company entered into sale-leaseback transactions related to store fixtures, buildings and equipment that resulted in cash receipts of $24.8 million, $18.8 million and $35.7 million for fiscal 2006, 2005 and 2004, respectively.

Scheduled lease payments due (including lease commitments for 39 stores not yet opened at February 3, 2007) under noncancelable operating leases as of February 3, 2007 are as follows:

Fiscal Year	
(In thousands)	
2007	$ 230,830
2008	236,681
2009	235,771
2010	235,007
2011	228,976
Thereafter	1,651,770
	$ 2,819,035

The Company has subleases related to certain of its operating lease agreements. The Company recognized sublease rental income of $1.2 million, $1.0 and $1.0 for fiscal 2006, 2005 and 2004, respectively.

9. Stock-Based Compensation and Employee Stock Plans

Stock Option Plans — The Company grants stock options to purchase common stock under the Plan. Stock options generally vest over four years in 25% increments from the date of grant and expire 10 years from date of grant. As of February 3, 2007, there were 8,743,418 shares of common stock available for issuance pursuant to future stock option grants. The stock option activity during the year is presented in the following table:

	Shares Subject to Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding, January 31, 2004	13,641,226	$ 10.99	2.58	$ 189,477
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	5.91	$ 259,398
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	8.72	$ 249,432
Granted	1,378,458	39.22		
Exercised	(2,685,858)	8.59		
Cancelled	(515,573)	29.72		
Outstanding, February 3, 2007	**9,816,414**	**$ 19.76**	**6.64**	**$ 324,610**
Exercisable, February 3, 2007	**5,527,184**	**$ 11.43**	**5.77**	**$ 228,852**

The aggregate intrinsic value in the table above is based on the Company's closing stock prices for the last business day of the period indicated. The total intrinsic value for stock options exercised for 2006, 2005 and 2004 was $37.1 million, $40.2 million and $31.8 million, respectively. The total fair value of options vested for 2006, 2005 and 2004 was $26.2 million, $8.4 million and $6.6 million, respectively. The nonvested stock option activity for the year ended February 3, 2007 is presented in the following table:

	Shares	Weighted Average Fair Value
Nonvested, January 28, 2006	7,767,647	$ 8.83
Granted	1,378,458	16.67
Vested	(4,342,906)	6.03
Forfeited	(513,969)	12.55
Nonvested, February 3, 2007	**4,289,230**	**$ 13.74**

As of February 3, 2007, total unrecognized stock-based compensation expense related to nonvested stock options was approximately $34.0 million, which is expected to be recognized over a weighted average period of approximately 2.37 years.

The Company issues new shares of common sock upon exercise of stock options.

Additional information regarding options outstanding as of February 3, 2007, 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	821,832	3.33	$ 1.97	821,832	$ 1.97
$6.00 – $10.48	2,970,288	5.72	6.35	2,970,288	6.35
$15.29 – $22.87	2,378,120	6.7	21.86	514,601	18.36
$25.07 – $34.68	1,379,702	7.05	25.82	1,010,745	25.45
$35.95 – $55.19	2,266,472	8.73	37.86	209,718	35.97
$1.08 – $55.19	**9,816,414**	**6.64**	**$ 19.76**	**5,527,184**	**$ 11.43**

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. The total number of shares issuable under the plan is 2,310,000. There were 122,982 and 125,989 shares issued under the plan during fiscal 2006 and 2005, respectively, leaving 817,895 shares available for future issuance. The fiscal 2006 shares were issued at an average price of $30.39.

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 tradable. Class B common stock can be converted to common stock at the holder's option.

During fiscal 2004, the Company filed an amendment to its Amended and Restated 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:

	2006	2005	2004
(In thousands)			
Current:			
Federal	$ 62,573	$ 41,961	$ 22,645
State	11,247	7,295	7,280
	73,820	49,256	29,925
Deferred:			
Federal	631	(928)	15,603
State	623	326	408
	1,254	(602)	16,011
Total provision	**$ 75,074**	**$ 48,654**	**$ 45,936**

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

	2006	2005	2004
Federal statutory rate	35.0%	35.0%	35.0%
State tax, net of federal benefit	4.2%	4.6%	4.3%
Other permanent items	0.8%	0.4%	0.7%
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:

	2006	2005
(In thousands)		
Store closings expense	$ 7,772	$ 14,269
Stock option compensation	7,455	–
Employee benefits	8,071	8,454
Other accrued expenses not currently deductible for tax purposes	10,331	8,273
Deferred rent	10,732	7,709
Insurance	3,595	3,491
State net operating loss carryforwards	2,931	2,242
Total deferred tax assets	50,887	44,438
Property and equipment	(12,281)	(16,288)
Inventory	(29,911)	(18,762)
Total deferred tax liabilities	(42,192)	(35,050)
Net deferred tax asset	**$ 8,695**	**$ 9,388**

The gross deferred tax asset from tax loss carryforwards of $2.9 million represents approximately $58.1 million of state net operating loss carryforwards, of which $1.6 million expires in the next ten years. The remaining $56.5 million expires between 2018 and 2026. In 2006, of the $8.7 million net deferred tax asset, $17.4 million is recorded in other long-term assets and $8.7 million is recorded in deferred revenue and other current liabilities in the Consolidated Balance Sheets. 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.

11. Interest Expense, Net

Interest expense, net is comprised of the following:

	2006	2005	2004
(In thousands)			
Interest expense	$ 10,836	$ 13,196	$ 9,142
Interest income	(811)	(237)	(1,133)
Interest expense, net	**$ 10,025**	**$ 12,959**	**$ 8,009**

12. Earnings per Common Share

The computation of basic earnings per share is based on the number of weighted average common shares outstanding during the period. The computation of diluted earnings per share is based upon the weighted average number of shares outstanding plus the incremental shares that would be outstanding assuming exercise of dilutive stock options. 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 calculations for the year ended February 3, 2007. The computations for basic and diluted earnings per share are as follows:

Fiscal Year Ended	2006	2005	2004
(In thousands, except per share data)			
Earnings per common share – Basic:			
Net income	$ 112,611	$ 72,980	$ 68,905
Weighted average common shares outstanding	51,256	49,792	47,978
Earnings per common share	$ 2.20	$ 1.47	$ 1.44
Earnings per common share – Diluted:			
Net income	$ 112,611	$ 72,980	$ 68,905
Weighted average common shares outstanding – basic	51,256	49,792	47,978
Stock options	4,139	4,187	4,943
Weighted average common shares outstanding – diluted	55,395	53,979	52,921
Earnings per common share	$ 2.03	$ 1.35	$ 1.30

Potential dilutive shares are excluded from the computation of earnings per share if their effect is anti-dilutive. Anti-dilutive options totaled 0.2 million for fiscal 2006. There were no anti-dilutive options in fiscal 2005 or 2004.

13. 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 permitted the Company, at its election, to purchase an equity ownership in GSI at a price that was less than the GSI market value per share in lieu of royalties until Internet sales reached a predefined amount. 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 February 3, 2007 and January 28, 2006 was $1.9 million and $2.3 million, respectively. In total, the number of shares the Company holds represents less than 5% of GSI's outstanding common stock.

During fiscal 2005 and 2004, the Company realized a pre-tax gain of $1.8 million and $11.0 million, respectively, resulting from the sale of a portion of the Company's investment in GSI.

14. 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 $3.0 million, $2.6 million and $1.8 million for fiscal 2006, 2005 and 2004, respectively.

15. 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 February 3, 2007 is as follows:

Fiscal Year		
(In thousands)		
2007	$	1,000
2008		1,250
2009		1,500
2010		1,700
2011		1,900
Thereafter		24,000
	$	**31,350**

In addition, certain agreements require the Company to pay additional royalties if the qualified purchases are in excess of the guaranteed minimum. The Company paid $0.7 million under agreements requiring minimum guaranteed contractual amounts during fiscal 2006. There were no payments made 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.

16. Subsequent Event

On February 13, 2007, the Company acquired Golf Galaxy by means of a merger of our wholly owned subsidiary with and into Golf Galaxy, with each Golf Galaxy shareholder receiving $18.82 per share in cash, without interest and Golf Galaxy became a wholly owned subsidiary of the Company. The Company paid approximately $226.0 million which was financed using approximately $79 million of cash and cash equivalents and the balance from borrowings under our revolving line of credit. At closing, Golf Galaxy operated 65 stores in 24 states, ecommerce website and catalog operations. Golf Galaxy had net sales totaling $274.7 million for the 12 month period ending February 3, 2007. Golf Galaxy's results of operations will be included in the Company's consolidated statements of income beginning February 13, 2007.

In connection with the closing of the acquisition, Dick's executed its second amendment to its second amended and restated credit agreement.

17. Quarterly Financial Information (Unaudited)

Summarized quarterly financial information in fiscal years 2006 and 2005 is as follows:

(In thousands, except earnings per share)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter[1]
2006				
Net sales[2]	$ 645,498	$ 734,047	$ 708,343	$ 1,026,275
Gross profit	177,665	207,397	191,335	320,302
Income from operations[2]	21,279	45,707	15,609	115,116
Net income[2]	11,418	25,681	7,795	67,718
Net earnings per common share	$ 0.23	$ 0.51	$ 0.15	$ 1.29
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

[1] Fourth quarter of fiscal 2006 represents a 14 week period, as fiscal 2006 includes 53 weeks.

[2] Quarterly results for fiscal 2006 do not add to full year results due to rounding.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

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 and earnings per share adjusted for merger integration and store closing costs, the acquisition of Galyan's on July 29, 2004, the gain on sale of investment and stock compensation expense (for fiscal 2005).

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 financial decisions, tax regulations, and capital investments.

EBITDA	2006	2005	2004	2005 Adjusted	2004 Adjusted
(dollars in thousands)					
Net income	$ 112,611	$ 72,980	$ 68,905	$ 94,548	$ 74,518
Provision for income taxes	75,074	48,654	45,936	63,032	49,678
Interest expense, net	10,025	12,959	8,009	12,959	8,009
Depreciation and amortization	54,929	49,861	37,621	48,992	33,594
Stock option expense (fiscal 2005)	–	–	–	(22,473)	–
EBITDA	**$ 252,639**	**$ 184,454**	**$ 160,471**	**$ 197,058**	**$ 165,799**
GAAP EBITDA % increase over GAAP Prior Year	37%	15%			
GAAP EBITDA % increase over Adjusted Prior Year	28%	19%			

EBITDA Fiscal 2005 (Adjusted)[1]	Year Ended January 28, 2006	Add: Merger integration and store closing costs	Less: Gain on sale of investment	Less: Stock option expense	Results adjusted for merger integration, gain on sale of investment and stock option expense
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
Stock option expense	–	–	–	22,473	(22,473)
EBITDA	**$ 184,454**	**$ 36,921**	**$ 1,844**	**$ 22,473**	**$ 197,058**

[1] Presents EBITDA adjusted for merger integration and store closing costs, gain on sale of investment and the effect of expensing stock option expense as if we had applied SFAS 123, "Accounting for Stock-Based Compensation" in fiscal 2005.

EBITDA Fiscal 2004 (Adjusted)[2]	Year Ended January 29, 2005	Add: Merger integration and store closing costs	Less: Gain on sale of investment	Results adjusted for 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**

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

Adjusted Net Income and Adjusted Earnings Per Share Reconciliation

	Fiscal 2005		Fiscal 2004		Proforma[1] Fiscal 2004	
(In thousands, except per share data)	Amounts	Per Share	Amounts	Per Share	Amounts	Per Share
Reported net income (GAAP)	$ 72,980	$ 1.35	$ 68,905	$ 1.30	$ 68,905	$ 1.30
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)
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**
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.

Return On Invested Capital (ROIC)

(Dollars in thousands)	**2006**	2005	2004	2003	2002	2001
Net income	$ 112,611	$ 72,980	$ 68,905	$ 52,408	$ 38,137	$ 23,241
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	112,611	94,548	74,518	50,286	39,605	23,241
Net Income for ROIC Calculation	112,611	94,548	74,518	50,286	39,605	23,241
Interest expense, net, after tax	6,015	7,775	4,805	1,099	1,718	3,745
Rent expense, net, after tax	123,473	117,801	86,369	58,232	50,999	43,223
Net Income for ROIC after adjustments (numerator)	$ 242,099	$ 220,124	$ 165,692	$ 109,617	$ 92,322	$ 70,209
Total stockholders' equity	$ 620,550	$ 414,793	$ 313,667	$ 240,894	$ 138,823	$ 61,556
Total debt	181,017	181,201	258,004	3,916	3,577	80,861
Operating leases capitalized at 8x annual rent expense	1,646,311	1,570,680	1,151,587	776,427	679,987	576,307
Total debt and operating leases capitalized at 8x annual rent expense	1,827,328	1,751,881	1,409,591	780,343	683,564	657,168
Total capital (total stockholders' equity + total debt and operating leases capitalized at 8x annual rent expense)	2,447,878	2,166,674	1,723,258	1,021,237	822,387	718,724
Average total capital (denominator)[1]	$ 2,307,276	$ 1,944,966	$ 1,372,247	$ 921,812	$ 770,555	$ 651,668
ROIC	**10.5%**	**11.3%**	**12.1%**	**11.9%**	**12.0%**	**10.8%**
ROIC using GAAP amounts[2]	10.5%	10.2%	11.7%	12.1%	11.8%	10.8%

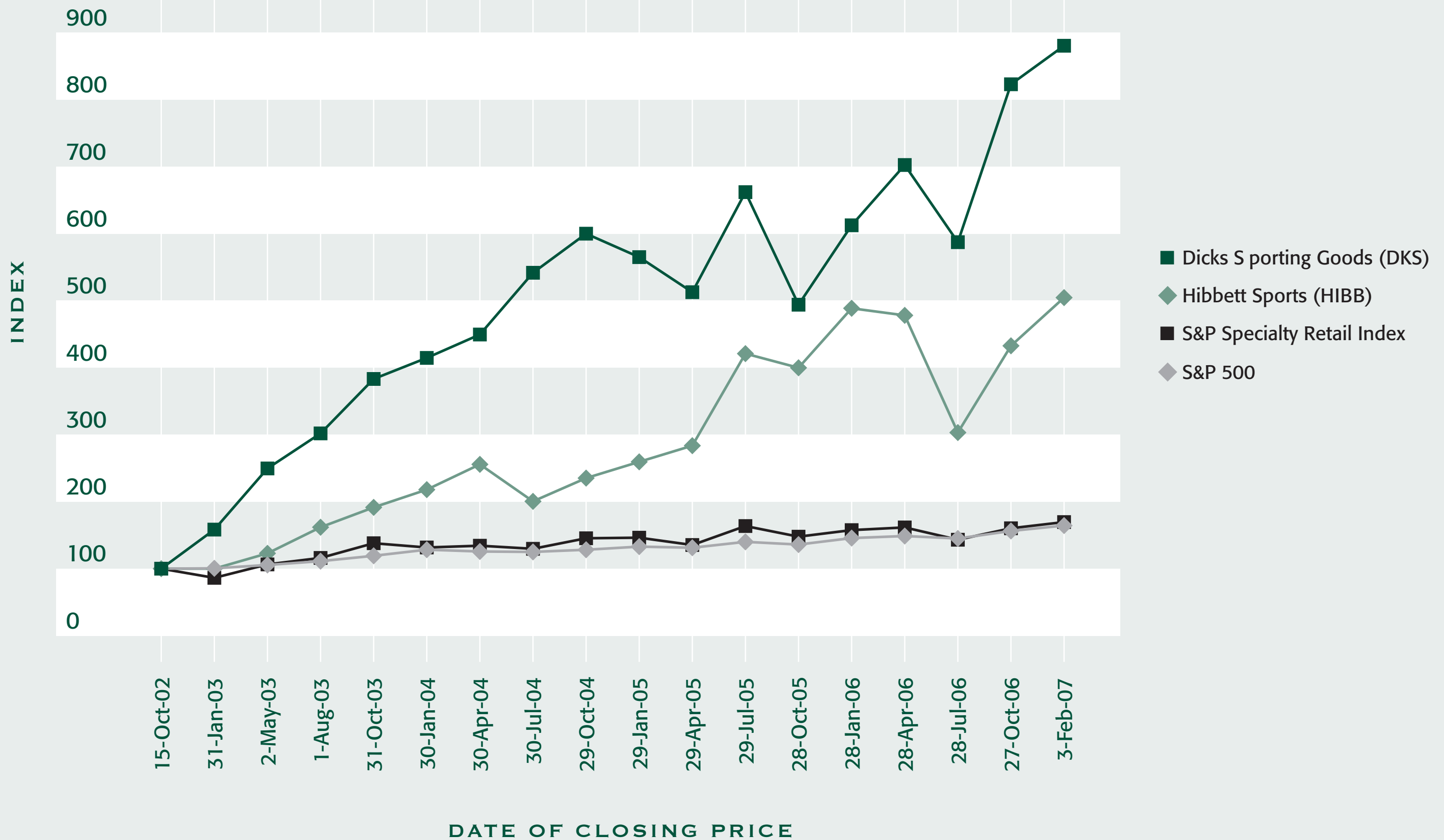
[1] Average total capital is calculated as the sum of the current and prior year ending total capital divided by two.

[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.

Comparison of Cumulative Total Returns

The following graph compares the performance of the Company's common stock with the performance of the Standard & Poor's 500 Composite Stock Price Index (the "S&P 500 "), the S&P Specialty Retail Index, and Hibbett Sports (NASDAQ: HIBB) for the periods indicated below. The graph assumes that $100 was invested on October 15, 2002 in the Company's common stock, the S&P 500, the S&P Specialty Retail Index and Hibbett Sports and that all dividends were reinvested.



The stock performance graph is not necessarily indicative of future performance.

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 29, 2007 was 178 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.

2006 Fiscal Quarter Ended	High	Low
April 29, 2006	$ 42.25	$ 35.66
July 29, 2006	$ 44.03	$ 35.24
October 28, 2006	$ 49.50	$ 36.26
February 3, 2007	$ 55.79	$ 48.23

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

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 Measures
For any non-GAAP financial measures used in this report, see pages 62-64 for a presentation of the most directly comparable GAAP financial measure and a quantitative reconciliation to that GAAP financial measure.

Annual Meeting
June 6th 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 July 3, 2006, 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 February 3, 2007 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

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 and
Chief Marketing Officer

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

EVERY SEASON STARTS AT

DICK'S SPORTING GOODS, INC.

300 Industry Drive RIDC Park West Pittsburgh, PA 15275 724-273-3400 www.dickssportinggoods.com