CIRCUIT CITY STORES INC
Form 10-K
May 15, 2006
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended February 28, 2006

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number: 1-5767

CIRCUIT CITY STORES, INC.

(Exact name of registrant as specified in its charter)

VIRGINIA	**54-0493875**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
9950 Mayland Drive	
Richmond, Virginia	**23233**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: **(804) 527-4000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, Par Value $0.50 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ü No__

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes__ No ü

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ü No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer ü Accelerated filer__ Non-accelerated filer__

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.) Yes__ No ü

The aggregate market value of the registrant s common shares held by non-affiliates as of August 31, 2005, which was the last business day of the registrant s most recently completed second fiscal quarter, was $3,036,645,263 based upon the closing price of these shares as reported by the New York Stock Exchange on that date.

On March 31, 2006, the company had outstanding 175,083,936 shares of common stock.

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DOCUMENTS INCORPORATED BY REFERENCE

Portions of the company s Definitive Proxy Statement dated May 15, 2006, furnished to shareholders of the company in connection with the 2006 Annual Meeting of Shareholders are incorporated by reference in Part III of this Annual Report on Form 10-K.

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PART I

Item 1. Business.

Circuit City Stores, Inc. is a leading specialty retailer of consumer electronics, home office products, entertainment software, and related services. Circuit City was incorporated under the laws of the Commonwealth of Virginia in 1949. Its corporate headquarters are located at 9950 Mayland Drive, Richmond, Virginia. The company has two reportable segments: its domestic segment and its international segment. For fiscal 2006, net sales were $10.97 billion for the domestic segment and $623.7 million for the international segment. Prior to the second quarter of fiscal 2005, the company had another reportable segment, its finance operation that was sold in May 2004.

The domestic segment is primarily engaged in the business of selling brand-name consumer electronics, personal computers, entertainment software, and related services in Circuit City stores in the United States and via the Web at www.circuitcity.com. At February 28, 2006, the company s domestic segment operated 626 Superstores and 5 other stores in 158 U.S. media markets.

The international segment, which is comprised of the operations of InterTAN, Inc., is primarily engaged in the business of selling private-label and brand-name consumer electronics products in Canada. At February 28, 2006, the international segment conducted business through 954 retail stores and dealer outlets, which consisted of 540 company-owned stores, 300 dealer outlets, 93 Rogers Plus® stores and 21 Battery Plus® stores. As a result of ongoing litigation with RadioShack Corporation, the international segment re-branded most of its company-owned stores and dealer outlets to The Source By Circuit City℠ during fiscal 2006. The international segment operates a Web site at www.thesource.ca.

International segment stores operating under the trade name The Source By Circuit City℠ typically have a small store format and are strategically located in malls and shopping centers. Each store provides readily available products and services to meet a wide range of consumer electronic needs, including digital technologies and unique electronic gadgets. Dealer outlets are independent retail businesses that operate under their own trade names but are permitted, under dealer agreements, to purchase any of the products sold by The Source By Circuit City℠. The dealer agreements contain a sub-license permitting the dealers to designate their consumer electronics department or business as a The Source By Circuit City℠ dealer. Rogers Plus® stores are operated by the company and are dedicated primarily to the sale of wireless services and related hardware offered by Rogers Wireless, Inc. Battery Plus® stores sell batteries and other specialty consumer electronics products.

Additional discussion of Circuit City s operating segments, including information related to the RadioShack litigation, is included in Item 3, Legal Proceedings; Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations; and Note 19, Segment Information, of the Notes to Consolidated Financial Statements, included in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

The company s plan is to continue improving its core business through growing sales, improving gross profit margins and improving working capital management. The company will make significant investments in information systems, multi-channel capabilities, innovation activities and real estate. Circuit City has implemented a disciplined innovation process to enable future growth by appealing to new customers, providing new product and service offerings and searching for new business opportunities.

Acquisition of InterTAN, Inc.

In May 2004, Circuit City completed its acquisition of InterTAN, Inc. for cash consideration of $259.3 million, which includes transaction costs and is net of cash acquired of $30.6 million. In addition to giving Circuit City a greater product-sourcing capability and the ability to accelerate the offering of private-label merchandise to its customers, the acquisition of InterTAN gave Circuit City its first presence in the Canadian market. For information regarding the company s risk associated with the international segment, see Forward-Looking Statements included in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, and Translation of Financial Results included in Item 7A, Quantitative and Qualitative Disclosures about Market Risk, of this Annual Report on Form 10-K.

Operations

Circuit City has a highly integrated multi-channel business model, which allows customers to shop in its stores, on the Web and via the telephone.

Domestic segment store operations are managed by an executive vice president who serves as president retail stores. Domestic retail operations are divided into 10 regions, which are under the supervision of regional vice presidents. The 10 regions are comprised of 66 districts, which are managed by district managers who regularly visit stores to monitor store operations and meet with store directors. Domestic segment Superstores are typically staffed with an average of 50 full-time and part-time Associates including sales support personnel, such as customer service Associates, product specialists and stockpersons; three sales managers; an operations manager; and a store director.

At February 28, 2006, the domestic segment had 42,359 hourly and salaried employees. None of these employees is subject to a collective bargaining agreement. The company employs additional personnel during peak selling seasons. The company has an hourly pay structure for the domestic segment s non-management sales force.

International segment retail stores are divided into six regions, which are managed by regional vice presidents. The 6 regions are further divided into 30 districts, which are under the supervision of district managers who regularly visit stores to monitor store operations. Dealer outlets are divided into seven areas across Canada, each of which is under the supervision of an area sales manager.

International segment retail stores are typically staffed by 2 to 15 Associates, including full-time and part-time commissioned sales Associates and a store manager. At February 28, 2006, the international segment had 3,648 hourly and salaried Associates. Approximately 122 of these Associates, who are engaged in warehousing and distribution operations, are represented by a union. The terms of a three-year collective bargaining agreement ending in April 2009 were ratified with these employees. The company considers its relationship with the union-represented employees to be good.

Domestic segment and international segment Associates receive frequent training and development through interactive e-learning courses, workbooks and management-driven in-store mentoring. Training focuses on selling skills, product knowledge with an emphasis on new technology, customer service and store operations. Associates use Circuit City s Web site as an additional training resource for product knowledge. Management training programs are designed to prepare the company s leaders and include Web-based training, in-store activities and classroom instruction.

Merchandising

The company offers a broad selection of products and services through its stores, on the Web and via the telephone. The domestic segment s major merchandise product categories are

video, which includes televisions, imaging products, DVD hardware, camcorders, digital cameras, digital video services, furniture, and related accessories;

information technology, which includes personal computer hardware, personal computer services, telecommunications products and services, and related accessories;

audio, which includes home audio products, mobile audio products, portable audio products, and related accessories; and

entertainment, which includes movie software, music software, game software, game hardware and personal computer software.

Services are an important part of the company s offerings to consumers. Examples of the services the company provides include narrowband, broadband, wireless telephone, voice-over IP, digital video services, extended warranty programs, satellite radio, computer upgrades and repairs, online PC diagnostic services, car audio installation and in-home audio/video installation.

The company s direct-to-consumer business has grown rapidly since the launch of its Web site in 1999. Through Circuit City Direct, which serves customers via circuitcity.com and 1-800-THE-CITY, customers have access to a wide selection of consumer electronics, technology and entertainment products, and related services as well as around-the-clock customer service. Circuitcity.com offers almost 170,000 customer ratings and reviews of products, as well as in-depth product and technology information. In September 2004, the company re-launched its award-winning Web site that offers improved navigation, ease of use and better merchandising. Customers may view real-time in-store inventory of products selected on circuitcity.com, purchase the products online, and pick up the products in a nearby store.

Prior to the 2005 holiday shopping season, Circuit City launched its 24/24 Pickup Guarantee^{SM} for qualifying purchases made through its Web site or telephone call centers. Under this policy, qualifying purchases will be ready for customers to pick up at their designated store within 24 minutes of purchase confirmation, or the customer will receive a $24 Circuit City gift card. Web shoppers can check inventory in real time to determine if the product they want to purchase is available for in-store pickup. During fiscal 2006, approximately 60 percent of online sales were picked up in a store.

To ensure consistency, each domestic store follows detailed operating procedures and merchandising programs, including procedures for inventory maintenance and merchandise displays. The company currently has an initiative underway

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to streamline these store operating procedures in order to allocate store labor resources more effectively. Merchandise pricing may vary by market to reflect local competitive conditions.

The international segment s strategy focuses on a merchandise offering designed to grow both sales and gross profit margin. Fundamental to this plan are

- a product offering that includes private-label and brand-name products;
- an emphasis on strategically selected high margin core categories for which the company has a strong position in its markets; and
- management of the inventory mix to maximize gross profit dollar contribution with an emphasis on higher margin elements of the mix.

Supply Chain

During fiscal 2006, the company made improvements to its supply chain organization and processes. Results of these improvements include improved in-stock positions, increased inventory turnover, decreased markdowns and an enhanced product offering. The company also built a vertically-integrated supply chain organization encompassing sourcing; vendor relations; logistics; distribution and warehousing; inventory management; inventory lifecycle pricing management; space planning; and supply process re-engineering. Due to this structural alignment, the company expects, over time, to be able to identify and react to changes in consumer demand in a more timely manner as well as reduce the time between buying decision and display of the product at the point of sale. The company is in the process of upgrading its merchandising, marketing and supply chain information systems, which will enable additional improvements in processes.

Circuit City relies on a best sourcing strategy to find products with the best value for the cost. Depending on the type of product, the company procures merchandise from a variety of sources and methods, including new and existing vendors, reverse auctions, and direct relationships with manufacturers. Through Circuit City Global Sourcing, Ltd., a wholly owned subsidiary, the company has developed internal sourcing capabilities, including offices in China, Hong Kong and Taiwan.

As a retailer primarily of branded consumer electronics that relies upon its ability to offer consumers a comprehensive and attractive assortment of merchandise and services, Circuit City depends upon strong and stable supplier relationships. During fiscal 2006, the domestic segment s five largest suppliers accounted for approximately 42 percent of merchandise purchased. The major suppliers were Sony, Hewlett-Packard, Panasonic, Samsung and Toshiba. The international segment s five largest suppliers accounted for approximately 47 percent of its merchandise purchased and were Motorola Cellular, Acer America Corp., Rogers Wireless Communications, Panasonic Canada, Inc. and Ingram Micro Canada.

The loss or disruption in supply from any one of these major suppliers could have a material adverse effect on the company s revenue and earnings. Circuit City has no indication that any of its suppliers will discontinue selling merchandise to the company. The company has not experienced significant difficulty in maintaining satisfactory sources of supply and generally expects that adequate sources of supply will continue to exist for the types of merchandise sold in its stores.

Circuit City offers an increasing amount of private-label merchandise to complement its branded strategy. These unique brands supplement one of the best selections of brand-name products in the consumer electronics industry and provide an even broader selection to customers.

As of February 28, 2006, the domestic segment operated

- six automated regional electronics distribution centers;
- one smaller automated distribution center that primarily handles large non-conveyable products, such as big screen televisions;

one automated centralized entertainment software distribution center that serves all stores; and

one import consolidation and distribution center.

Most products are shipped from manufacturers directly to the distribution centers. Circuit City believes that the use of distribution centers enables it to efficiently distribute a broad selection of merchandise to its stores, reduce inventory levels at individual stores, benefit from volume purchasing and maintain inventory control. Some products are received directly from the manufacturer by the stores in order to reduce costs and time-to-shelf.

The international segment s stores are replenished primarily through one distribution center in Barrie, Ontario, Canada.

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Domestic Segment Superstore Revitalization

During fiscal 2001, Circuit City introduced a new Superstore format that features a brighter, more contemporary look and an open, easily navigable floor plan conducive to browsing. The format allows the company to put all products, except those that are too large for customers to carry themselves, on the sales floor. The company has improved product adjacencies so that customers can conveniently shop for products and accessories related to their core product purchase. Shopping carts, baskets and centralized cash register checkouts add to the convenience of the increased number of take-with products. The company continues to refine its store prototypes. In fiscal 2007, the prototype formats will include a 30,000 square foot store that eliminates some under-utilized non-customer facing space. Approximately one third of the openings will be in a 20,000 square foot store format to be utilized in smaller trade areas or as an urban fill-in location.

During fiscal 2006, the company opened 18 incremental Superstores and relocated 10 Superstores. The following table summarizes the progress of the domestic Superstore revitalization program over the last six fiscal years.

Fiscal	Superstore Openings	Superstore Relocations	Full Remodels	Superstore Closures	Superstores at End of Fiscal Year
2006	18	10	0	4(a)	626
2005	31	28	1	19	612
2004	8	18	4	20(b)	599
2003	8(c)	11	3	1	611
2002	11	8	12	1	604
2001	24(d)	1	26(e)	1	594
Total	100	76	46	46	

(a) On February 28, 2006, the company closed one store in advance of opening a replacement store in the first quarter of fiscal 2007.
(b) On February 29, 2004, the company closed one store in advance of opening a replacement store in the first quarter of fiscal 2005. The replacement store is included in fiscal 2005 store relocations.
(c) One of the stores opened in fiscal 2003 was closed in February 2005.
(d) Two of the 24 new store openings did not have a new format.
(e) Two of the locations that were fully remodeled in fiscal 2001 were closed in February 2004.

From the beginning of fiscal 2001 through February 28, 2006, a total of 217 Superstores, or 35 percent of the company s 626 domestic segment Superstores, net of closings, have been constructed, relocated or fully remodeled under one of the new formats. During fiscal 2007, the company expects to open 32 to 36 domestic segment Superstores, of which it expects 10 to 12 will be relocations.

Information Systems

The domestic segment s in-store point-of-sale (POS) systems maintain an online record of all transactions and allow management to track performance by region, store and store Associate on a near real-time basis. The information gathered by the systems supports automatic replenishment of in-store inventory from the regional distribution centers and is incorporated into product buying decisions. The in-store POS systems are seamlessly integrated with the company s e-commerce Web site. This integration provides the capability for in-store pickup of merchandise ordered from the Internet and allows for in-store ordering of merchandise for shipment directly to the customer s home. As part of an effort to eliminate complex, custom-developed information systems, the domestic segment plans to implement a new POS system during fiscal 2007.

For the international segment, each of the retail stores has one or more computers that serve as POS terminals and are linked to the operational headquarters. This information network provides detailed sales and margin information on a daily basis, updates the customer database and acts as a monitor of individual store performance. The POS systems also are linked directly to a system used to automatically replenish a store s stock as inventory is sold.

The company s information systems strategy is to use solutions available in the marketplace with minimal customization instead of developing software in-house, allowing Circuit City to utilize its more flexible infrastructure to enhance profitability. The company has implemented new data warehousing capabilities that will improve internal processes, streamline applications and allow more timely analysis of data for the domestic segment. Beginning in fiscal 2007, the domestic segment also expects to implement an extensive suite of Retek systems over the next three years to transform its merchandising, supply chain, planning and marketing processes. The Retek implementation, known internally as the merchandising systems transformation (MST), is expected to enhance speed, flexibility, visibility and optimization across all channels and better integrate financial, assortment and space planning with forecasting and replenishment. The rollout will be a series of discrete systems releases, and each can deliver benefits upon implementation. The new systems are designed to allow the company to collaborate with its vendors and optimize pricing and space allocation in its stores. The company expects the improvements to drive comparable store sales gains, through improved in-stock inventory levels, and margins, through price optimization and better product transition management.

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Marketing

Circuit City utilizes multiple marketing vehicles to build brand awareness and promote specific products and offers. The domestic segment uses newspaper advertisements, television, direct mailings and online marketing. The international segment is among the largest retail advertisers in Canada and advertises through multiple channels, including newspaper, television, direct mailings and radio.

During fiscal 2005, the domestic segment introduced a rewards credit card in partnership with Chase Card Services. Cardholders can choose rewards points or promotional financing for qualifying purchases at Circuit City. The points can be redeemed for future purchases, enabling Circuit City to reward its loyal customers while encouraging repeat traffic to its stores.

Also during fiscal 2005, the domestic segment introduced a new marketing campaign. The brand message using the tagline Just what I needed, embodies what Circuit City offers consumers: a complete solution with the right products and services, the ability to shop the way they want to shop, unbeatable prices and knowledgeable product specialists. During fiscal 2006, Circuit City enhanced the Just what I needed campaign by emphasizing its multi-channel offering, allowing customers to shop three ways: online, in store or by phone. In addition, Circuit City introduced its unique 24/24 Pickup Guarantee[SM] for qualifying purchases made through its Web site or telephone call centers. Under this policy, qualifying purchases will be ready for customers to pick up at their designated store within 24 minutes of purchase confirmation, or the customer will receive a $24 Circuit City gift card.

During fiscal 2006, the company developed new processes to improve the effectiveness of its newspaper advertisements through more robust data measurement and accountability. In fiscal 2007, Circuit City plans to utilize a new information system that will make it easier to publish different newspaper advertisements in different domestic geographic markets.

Also during fiscal 2006, the international segment completed the brand transition to The Source By Circuit City[SM]. The company supported the brand launch with a major advertising campaign featuring television and radio commercials as well as print and outdoor advertising.

Competition

The consumer electronics retail industry is highly competitive. Competitors include

- other consumer electronics retailers,
- discount retailers,
- warehouse clubs,
- home office retailers,
- Internet-based retailers and
- direct-to-consumer alternatives.

Discount retailers continue to increase consumer electronics offerings, particularly on entry-level and less complex products.

Circuit City s domestic segment differentiates itself from competitors by offering a high level of customer service; offering competitive prices; providing complete product and service assortments; and providing consumers the option of multi-channel shopping.

The international segment differentiates itself from other consumer electronics retailers in Canada through its range of products and its service orientation. InterTAN has established a market position in important growth categories, including portable digital products, as well as in unique electronic gadgets.

Intellectual Property

The company s principal trademarks and service marks, which are Circuit City, Circuit City Direct, The Source By Circuit City, 24/24 Pickup Guarantee and Just what I needed, either have been registered or have trademark applications pending with the United States Patent and Trademark Office and with the trademark registries of various foreign jurisdictions. The company also owns various patents and trademarks related to consumer electronics designed and manufactured by third parties for Circuit City. The company s rights in these trademarks and service marks continue for as long as they are used. The company believes that the Circuit City name and the circle logo design have significant value and are important to its business.

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The company has trademark applications pending in both the United States and Canada for The Source By Circuit City. The international segment also operates stores under the registered trademark Rogers Plus® and under the license for Battery Plus®. The company s InterTAN subsidiary formerly licensed marks from RadioShack Corporation to operate retail consumer electronics outlets under the RadioShack® name in Canada. That licensing agreement is the subject of litigation. Additional discussion of the litigation is included in Item 3, Legal Proceedings, of this Annual Report on Form 10-K. All stores formerly operated under license from RadioShack Corporation were re-branded during fiscal 2006.

Seasonality

Like many retailers, Circuit City s revenues are typically greatest during the fourth fiscal quarter because it includes the majority of the holiday selling season. A corresponding pre-season inventory build-up during the third fiscal quarter is typically associated with this higher sales period.

Working Capital

The company funds capital expenditures and working capital needs through available cash, borrowing capacity under its $500 million credit facility and landlord reimbursements. Additional discussion of Circuit City s Liquidity and Capital Resources is included in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, of this Annual Report on Form 10-K.

Sale of Private-Label Finance Operation

In May 2004, the company completed the sale of its private-label finance operation, comprised of its private-label and co-branded Visa credit card programs, to Chase Card Services. Results from the private-label finance operation are included in finance income on the consolidated statements of operations. The company entered into a Consumer Credit Card Program Agreement under which Chase Card Services is offering private-label and co-branded credit cards to new and existing customers. Circuit City is compensated under the program agreement primarily based on the number of new accounts opened less promotional financing costs that exceed a negotiated base amount. The net results from the program agreement are included in net sales on the consolidated statements of operations.

Discontinued Operations

The company sold one domestic segment subsidiary in fiscal 2006 and held another domestic segment subsidiary for sale at February 28, 2006. Results from these subsidiaries are presented as results from discontinued operations on the consolidated statements of operations.

In fiscal 2004, the company completed the sale of its bankcard finance operation, which included Visa and MasterCard credit card receivables and related cash reserves. Results from the bankcard finance operation are presented as results from discontinued operations on the consolidated statements of operations.

Available Information

Circuit City makes available, free of charge on its Web site, its Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports as soon as practicable after electronically filing the material with or furnishing the material to the Securities and Exchange Commission. These documents may be viewed by visiting the company s investor information Web site at http://investor.circuitcity.com and selecting the SEC Filings link under the Investor Info header.

The company also makes available, free of charge on its Web site, the charters of the Audit Committee, Nominating and Governance Committee and Compensation and Personnel Committee as well as the code of conduct and the board practices and policies adopted by the board of directors. These documents may be viewed by visiting the investor information Web site at http://investor.circuitcity.com and selecting the Corporate Governance link under the Company Info header.

References to the company s Web site do not constitute incorporation by reference of the information contained on the Web site, and the information contained on the Web site is not part of this document.

Item 1A. Risk Factors.

Our business is influenced by many factors that are difficult to predict, involve risks or uncertainties that may materially affect actual results and are often beyond our control. Understanding how these factors may affect our business is important to understanding information about the company in this Annual Report on Form 10-K and our other filings and releases. Our discussion below contains forward-looking statements, as discussed in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A). You should read the discussion below in conjunction with our MD&A, and the consolidated financial statements and related notes included in this report.

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We face intense, multi-channel competition from a variety of competitors that could negatively impact our financial performance.

In order to achieve positive results, we must compete successfully in the consumer electronics industry against large specialty retailers, discount or warehouse retailers, home office retailers, Internet-based retailers, direct-to-consumer alternatives and local or regional retailers. Many of our vendors and suppliers have opened retail store locations and increased their direct sales to consumers. Because of the size and strong performance of some of our competitors, they may promote merchandise more aggressively and offer more attractive financing and discount prices for extended periods of time, which could adversely affect our profit margin. If we cannot respond adequately to these multiple sources and types of competition, it could adversely impact customer traffic, market share and overall financial performance.

We may not be able to attract and retain qualified Associates at all levels within the company, which could adversely affect our sales performance, cost structure and competitive position within the industry.

We must recruit and retain a large number of qualified Associates in order to perform successfully. We face intense competition for associates at all levels of the company, and we compete in job markets nationally. Many of our Associates are in entry-level or part-time positions, which typically have high levels of turnover. Our ability to maintain appropriate staffing levels while controlling labor costs is subject to a number of external factors such as the quality of the labor market in our trade areas, unemployment levels, prevailing wages, changing demographics, health insurance costs and state labor and employment requirements. If we are unable to attract and retain qualified Associates, then our sales performance may be adversely impacted or our labor costs may increase significantly. In addition, we have made a number of management changes focused on improving the level of talent at the management and executive levels within the company. If we are unable to retain key managers and executives, then it may be difficult for us to maintain a competitive position within the industry or to implement strategic changes in the future.

Failure to effectively manage our inventory levels could adversely affect our financial results.

We rely on a best sourcing strategy where we procure merchandise from a variety of sources and methods, including new and existing vendors, reverse auctions, global sourcing capability within the company and direct relationships with manufacturers. We depend on strong and stable supplier relationships and accurate forecasts of customer demand. Reduced consumer spending or lack of consumer interest in our products could lead to excess inventory levels; alternatively, if we do not have adequate inventory to respond to customer demand for products, we may lose sales to competitors. Additionally, we may inaccurately forecast product life cycles or end-of-life products, leaving us with excess inventory. As a result, we may be forced to lower our prices, adversely impacting margins and financial results.

We may be unable to relocate successfully or open new stores in desirable locations, which could adversely affect our ability to increase sales and achieve profitable growth.

Our store revitalization program is an important part of our business plan. We have a significant number of stores in older formats or in locations where the trade area has shifted away from our target market. We continue to refine our store prototypes and seek real estate in smaller trade areas and urban locations in addition to larger markets. When we open new stores in markets where we already have a presence, our existing locations may experience a decline in sales as a result. For our store revitalization program to be successful, we must identify and lease favorable store sites, construct the building, and hire and train associates for the new location. In many locations, we face intense competition from other retailers for both real estate and qualified associates. Construction, environmental, zoning and real estate delays may negatively impact store openings and increase costs and capital expenditures. We cannot be certain that new or relocated stores will produce the anticipated sales or return on investment or that existing stores will not be adversely affected by new or expanded competition in their market areas.

Consumers may not upgrade televisions or buy related audio products, home theater products or services at the rate we expect during the next few years, which would adversely affect our growth, revenues and margins.

Because of the transition from analog to digital television broadcasting, we have invested significant inventory, store space and labor in the advanced television category. We expect a large number of consumers to replace analog television sets in the next three years and to purchase related audio products, home theater products and services at the same time. Set-top converters and other technology will permit consumers to continue to use analog televisions even after broadcasting is converted to a digital signal. As a result, if consumers do not embrace advanced television at the levels we expect, our growth, revenues and margins may be negatively impacted.

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We may not be able to successfully execute our multi-channel marketing strategy, which could adversely affect our growth, revenues and margins.

Our direct-to-consumer business has grown rapidly since the launch of our Web site in 1999. We have invested heavily in marketing our in-store pickup process for Web orders, and we have initiated a catalog offering that allows consumers to order products by phone. These efforts are intended to attract new customers and increase sales from existing customers, but they could result in customers making fewer trips to our brick-and-mortar stores. It may be more challenging for us to increase sales of extended warranties, services and accessories as customers move toward greater online shopping. In addition, competitive pricing on the Internet and the ability of online customers to perform better price comparisons could negatively impact traffic, average ticket sales and profit margins.

Issues associated with re-branding and fluctuating exchange rates could adversely affect the financial results of our international segment.

We operate an international segment business, which is primarily engaged in the business of selling private-label and brand-name consumer electronics products in Canada. This segment consists of the operations of InterTAN, Inc., which is involved in ongoing litigation with RadioShack Corporation. As a result of this litigation, the international segment re-branded most of its company-owned stores and dealer outlets to the trade name The Source By Circuit City℠. Although re-branding efforts are complete, future sales and customer loyalty may be negatively impacted. In addition, conversion of Canadian dollar denominated sales into U.S. dollars may contribute to fluctuations in our results of operations, and fluctuating exchange rates could cause reduced gross revenues and/or gross margins from non-U.S. dollar denominated international sales.

Our business is heavily dependent upon information systems, which require upgrades that may be expensive or difficult to implement, and which could result in higher costs and business disruption.

Our information systems include in-store point-of-sale systems that provide information used to track sales performance by Associates, inventory replenishment, e-commerce product availability, product margin information and customer information. In addition, we have or are implementing systems for data warehousing; merchandising and supply chain; planning; and marketing. These systems are complex and require integration with each other and with business processes. If we encounter difficulty implementing new systems or maintaining and upgrading current systems, then our business operations could be disrupted and our expenses could increase.

Our business is subject to quarterly fluctuations and seasonality, which leaves our financial and operating results vulnerable to temporary unfavorable conditions that may impact key selling periods.

The most significant portion of our revenue is generated during the period that begins with Thanksgiving, includes the holiday shopping season and continues until the Super Bowl. The majority of this period occurs in the company s fourth fiscal quarter. As a result, any factors negatively affecting us during this time of year, including adverse weather or unfavorable economic conditions, could have a material adverse impact on our revenue and profitability for the entire year. In addition, other key holiday weekends during the year, such as Memorial Day, Fourth of July and Labor Day, bring disproportionately high revenues for the quarter in which they fall, relative to non-holiday weekends, and also leave us somewhat vulnerable to adverse impacts from temporary unfavorable conditions.

General economic conditions or a decline in consumer discretionary spending may adversely impact our sales in a disproportionate fashion.

We sell products and services that consumers tend to view as conveniences rather than necessities. As a result, our results of operations are more sensitive to changes in general economic conditions that impact consumer spending, including discretionary spending. Future economic conditions such as employment levels, business conditions, interest rates, energy costs and tax rates could reduce consumer spending or change consumer purchasing habits. A general reduction in the level of consumer spending or our inability to respond to shifting consumer attitudes regarding products, store location and other factors could adversely affect our growth and profitability.

We may not be able to anticipate and respond to changes in consumer demand, preferences and patterns, which could adversely affect our sales and profitability.

The consumer electronics industry is subject to rapid technological change, obsolescence and price erosion. Our success depends on our ability to anticipate and respond to consumer demand and preferences for new items. The introduction and availability of new products are often controlled by manufacturers and may be subject to the cooperation of third parties such as television broadcasters and wireless providers. We may be adversely impacted by limited quantities of new products. The introduction of new technologies may negatively impact sales of existing products. Significant deviations from the

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projected demand for products we sell could result in lost sales or lower margins due to the need to mark down excess inventory.

Our innovation and strategy efforts may fail to produce new businesses and may not result in any meaningful differentiation against our competitors, which could adversely affect our ability to achieve profitable growth.

We have instituted an innovation process to define and test strategic initiatives to grow business in key areas and to identify future areas of growth for us. As a result of this innovation process, we are making large investments in training, information systems and store formats that could prove to be unsustainable or unprofitable when rolled out on a national scale. This could negatively impact our expense structure and profitability. Our failure to successfully implement our strategic vision or the occurrence of any of the following events could have a material adverse impact on our business:

- Inability to provide a superior customer experience in our stores that is differentiated from our competitors
- Failure to leverage our assets to create new revenue streams and profit
- Failure to identify customer needs and desires and to tailor our shopping experience in a way that meets these needs
- Inability to grow revenue through in-home sales and service offerings
- Lack of core competencies, talent and systems needed to sustain growth and support innovation efforts

We rely on foreign sources for a significant portion of our merchandise, so disruptions in countries where our goods are produced or international trade or transportation issues could adversely affect availability of key products and result in associated declines in revenues.

We depend on products produced outside the United States and Canada. We could be adversely affected by a number of risks associated with production and delivery of those products into our market areas, including

- Economic or political instability, natural disasters or public health emergencies in countries where our suppliers are located;
- Increases in shipping costs;
- Transportation delays or interruptions, particularly as they may affect seasonal periods; and
- Changes in laws or taxation policies as they may affect the import and export of goods.

Item 1B. Unresolved Staff Comments.

None.

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Item 2. Properties.

The following table summarizes the geographic location of the company s retail stores and dealer outlets at February 28, 2006.

	Domestic Segment		
	Superstores	Other Stores	Total
Alabama	8		8
Arizona	13		13
Arkansas	3		3
California	85		85
Colorado	15		15
Connecticut	8		8
Delaware	2		2
Florida	48		48
Georgia	21		21
Hawaii	1		1
Idaho	2		2
Illinois	31		31
Indiana	13		13
Kansas	3		3
Kentucky	7		7
Louisiana	9		9
Maine	3		3
Maryland	17		17
Massachusetts	17	1	18
Michigan	21	1	22
Minnesota	8	1	9
Mississippi	5		5
Missouri	11		11
Nebraska	1		1
Nevada	5		5
New Hampshire	6		6
New Jersey	17		17
New Mexico	2		2
New York	32		32
North Carolina	19	1	20
Ohio	24		24
Oklahoma	5		5
Oregon	7		7
Pennsylvania	29		29
Rhode Island	1		1
South Carolina	9		9
Tennessee	12		12
Texas	53		53
Utah	5		5
Vermont	1		1
Virginia	24	1	25
Washington	11		11
West Virginia	4		4
Wisconsin	7		7
Wyoming	1		1
	626	5	631

	International Segment				
	Company-Owned	Dealer Outlets	Rogers Plus®	Battery Plus®	Total
Alberta	49	50	14	2	115
British Columbia	61	42	6		109
Manitoba	15	16	5		36
New Brunswick	16	11	2		29
Newfoundland	7	14			21
North West Territories	1	3			4
Nova Scotia	19	11	2		32
Nunavut		1			1
Ontario	233	82	36	17	368
Prince Edward Island	3	4	1		8
Quebec	120	48	25	2	195
Saskatchewan	15	17	2		34
Yukon	1	1			2
	540	300	93	21	954

The following table summarizes the lease expiration dates of the domestic segment at February 28, 2006.

Fiscal Year of Lease Expiration	Stores
2007 through 2011	86
2012 through 2016	127
2017 through 2021	368
2022 through 2025	45
	626
Company-owned stores	5
Total stores at February 28, 2006	631

Of the domestic segment s stores open at February 28, 2006, the company owns 5 stores and leases the remaining 626 stores. All nine of the domestic segment s distribution centers are leased. The company owns one of its five domestic segment s service centers. For its corporate headquarters in Richmond, Virginia, the company leases two buildings and owns some of the land. The company leases space for all warehouse, service and office facilities except as otherwise noted.

InterTAN owns a 402,000 square-foot building containing office and warehouse space and the retail location in Barrie, Ontario, Canada, where the headquarters of the international segment are located. With the exception of a retail store located on this property, the international segment s retail operations are conducted in leased facilities. The dealer outlets

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included in the preceding table are independent retail businesses that operate under their own trade names but are permitted, under dealer agreements, to purchase any of the products sold by The Source By Circuit City℠.

For information regarding the company s lease obligations, see Note 12, Lease Commitments, of the Notes to Consolidated Financial Statements, included in Item 8, Financial Statement and Supplementary Data, of this Annual Report on Form 10-K.

Item 3. Legal Proceedings.

On March 31, 2004, Circuit City announced a public tender offer to purchase the stock of InterTAN, Inc. Circuit City completed the acquisition and InterTAN became a wholly owned subsidiary of Circuit City on May 19, 2004. InterTAN has operated retail consumer electronics outlets under the RadioShack® name in Canada under a licensing agreement with a subsidiary of RadioShack Corporation. InterTAN also has operated under two other agreements with RadioShack and its subsidiaries (RadioShack): a merchandising agreement and an advertising agreement.

After the March 31, 2004 announcement, RadioShack asserted early termination of all three agreements. RadioShack asserts that InterTAN failed to pay an annual fee in material breach of the advertising agreement and, alternatively, that a without cause termination of the advertising agreement triggers termination of the other agreements.

On April 5, 2004, RadioShack filed suit against InterTAN in Tarrant County, Texas, and amended that suit on April 27, 2004, and February 4, 2005 (the RadioShack litigation). InterTAN disputes the various termination scenarios alleged by RadioShack and is vigorously defending against those claims. The parties argued a RadioShack motion for partial summary judgment on February 3, 2005. On March 24, 2005, the court issued an order on that motion stating that the three agreements were terminated no later than December 31, 2004. Under the ruling, InterTAN s rights under the agreements expired June 30, 2005.

Circuit City continues to believe that RadioShack is not entitled to early termination of the agreements, that InterTAN has substantial defenses to the RadioShack claims and that RadioShack has breached the agreements by seeking early termination. There are several motions currently pending with the court, including a motion to reconsider prior rulings. InterTAN intends to continue vigorously defending the claims and exercise its rights under the agreements, as well avail itself of any and all rights to appeal.

Because of the ongoing legal conflict with RadioShack, Circuit City has taken steps to position its Canadian operations for continued success, regardless of the outcome of this litigation. Circuit City believes that the outcome of this litigation will not have a material adverse effect on the company s financial condition or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders.

No matter was submitted to a vote of security holders during the fourth quarter of the fiscal year ended February 28, 2006.

Executive Officers of the Company

The company is not aware of any family relationship between any executive officers of the company or any executive officer and any director of the company. The executive officers are generally elected annually and serve for one year or until their successors are elected. The next general election of officers is expected to occur in June 2006. The following table identifies the executive officers of the company at April 30, 2006.

Name	Age	Office
Philip J. Schoonover	46	President and Chief Executive Officer
George D. Clark, Jr.	46	Executive Vice President President Retail Stores
Fiona P. Dias	40	Executive Vice President Chief Marketing Officer

Michael E. Foss	48	Executive Vice President Chief Financial Officer
Douglas T. Moore	49	Executive Vice President Chief Merchandising Officer

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Ronald G. Cuthbertson	49	Senior Vice President Supply Chain and Inventory Management
Philip J. Dunn	53	Senior Vice President Treasurer and Controller
Reginald D. Hedgebeth	38	Senior Vice President General Counsel and Secretary
Eric A. Jonas, Jr.	51	Senior Vice President Human Resources
Michael L. Jones	50	Senior Vice President Chief Information Officer
John J. Kelly	48	Senior Vice President General Merchandise Manager
David L. Mathews	46	Senior Vice President President Circuit City Direct
Marc J. Sieger	37	Senior Vice President General Merchandise Manager
Randall W. Wick	45	Senior Vice President General Merchandise Manager

Mr. Schoonover joined the company in October 2004 as executive vice president and chief merchandising officer. He was elected president in February 2005 and chief executive officer in March 2006. Before joining the company, he was executive vice president customer segments at Best Buy Co., Inc., a retailer of consumer electronics, home office products, entertainment software, appliances and related services, from April 2004 until September 2004. He joined Best Buy in 1995 and previously served as executive vice president new business development from February 2002 until April 2004; executive vice president digital technology solutions from February 2001 until February 2002; and senior vice president merchandising for five years. Before joining Best Buy, Mr. Schoonover was an executive vice president at TOPS Appliance City, a retailer of home appliances and consumer electronics, and held senior marketing positions with Sony Corporation of America, a global entertainment company.

Mr. Clark joined the company in 1983. He was promoted to store manager in 1987, district manager in 1992 and regional vice president in 1993. He was named assistant vice president in 1995; vice president and Central Division president in 1997; Eastern Division president in 2002; senior vice president in 2003; and general merchandise manager for technology in 2004. He was named president retail stores in March 2005 and executive vice president in March 2006.

Ms. Dias joined the company in 2000 as senior vice president marketing. She was named president of Circuit City Direct in 2003, chief marketing officer in May 2005 and executive vice president in March 2006. Before joining the company, she was chief marketing officer at Stick Networks, Inc., a wireless software company, during 2000; vice president marketing and development for the Frito-Lay Company, an operating division of PepsiCo, Inc. that is engaged in the snack food industry, from 1999 to 2000; and vice president of corporate development at Pennzoil-Quaker State Company, a manufacturer of automotive, commercial, industrial, and marine lubricants, from 1996 to 1999. Prior to 1996, she held various brand management positions with The Procter & Gamble Company, a global consumer products company.

Mr. Foss joined the company in 2003 as senior vice president and chief financial officer. He was promoted to executive vice president in 2005. Before joining the company, he was executive vice president of corporate/business development for TeleTech Holdings Inc., a global provider of customer management solutions for large companies, from 2001 to 2003; president of TeleTech Companies Group, an operating division of

TeleTech Holdings, Inc., from 2000 to 2001; and executive vice president and chief financial officer of TeleTech Holdings and president of TeleTech Companies Group from 1999 to 2000. Mr. Foss was employed by Eastman Kodak Corporation, a company engaged in developing, manufacturing and marketing traditional and digital imaging products, services and solutions, from 1997 to 1999 in various senior positions, including chief executive officer of Kodak s Picturevision Inc. subsidiary.

Mr. Moore joined the company in 1990 as a regional manager for the roadshop division. He was named regional vice president in 1995; director of corporate operations in 1997; assistant vice president general manager, builder appliance sales division in 1998; assistant vice president senior national buyer in 1999; assistant vice president divisional merchandising manager imaging in 2000; assistant vice president director of merchandising operations in 2002; and Western Division president and senior vice president in 2003. In 2004, Mr. Moore was named senior vice president, merchandising. In March

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2005 he was named chief merchandising officer and in March 2006 he was named executive vice president. Before joining the company, Mr. Moore was employed from 1985 to 1990 in various operational and marketing capacities for AMF Bowling, Inc., a global manufacturer and marketer of bowling products and operator of bowling centers; as a brand manager for AH Robins Company, Inc., a pharmaceuticals manufacturer, in its Dimetapp business from 1983 to 1985; and in brand management for Carnation Company from 1980 to 1983.

Mr. Cuthbertson joined the company in March 2005 as senior vice president, supply chain and inventory management. Before joining the company, he was president and chief executive officer of Southport Consulting, Inc., a management consulting company. Prior to his role at Southport Consulting, he was employed at Best Buy Co., Inc. from 1999 to 2004 and served in numerous roles including enterprise vice president, with concurrent roles of vice president Best Buy International and vice president global sourcing, and executive vice president, merchandising, marketing and supply chain at Best Buy Canada Ltd. Mr. Cuthbertson also served in various positions at Sears Canada, Inc., a division of Sears, Roebuck & Co., a retailer of home merchandise, apparel and automotive products and related services, from 1979 to 1998.

Mr. Dunn joined the company in 1984 as an assistant controller of inventory audit and control. He was named treasurer in 1990, was promoted to vice president in 1992 and added the title of controller in 1996. In 1999, he was elected senior vice president. Mr. Dunn was employed by Arthur Young & Co., an accounting firm and a predecessor of Ernst and Young LLP, from 1980 to 1984.

Mr. Hedgebeth joined the company in July 2005 as senior vice president, general counsel and secretary. Prior to joining the company, he was employed by The Home Depot, Inc., a home improvement retailer, for six years, serving most recently as vice president of legal. Previously, he was an associate at the law firm of King and Spalding, LLP and was a financial analyst for GE Capital Corporation.

Mr. Jonas joined the company in 1998 as director of associate relations. He was promoted to assistant vice president of corporate human resources services in 2000, was elected vice president in 2003 and was elected senior vice president in 2004. Prior to joining the company, he was employed by Toys R Us, a worldwide retailer of toys, baby products, and children s apparel, from 1985 until 1998, including director of human resources for the Babies R Us division from 1996 to 1998.

Mr. Jones joined the company in 1999 as vice president, chief information officer, First North American National Bank. He was promoted to senior vice president, chief information officer in February 2004. Prior to joining the company, Mr. Jones was employed by Markel Corporation, an international property and casualty insurance holding company, for ten years, most recently as president and chief operating officer of an operating subsidiary.

Mr. Kelly joined the company in May 2005 as senior vice president, general merchandise manager for technology. Before joining the company, he was vice president of home merchandising, and vice president of QVC.com for QVC, Inc., a televised retailer of electronics, jewelry and consumer products, from 2001 to 2005; and vice president of appliances and senior vice president of the consumer electronics division for Sharp Electronics Corporation from 1996 to 2001. Before joining Sharp Electronics, Mr. Kelly was employed by Macy s for over 15 years in various positions, including the executive training program and divisional merchandise manager vice president of electronics.

Mr. Mathews joined the company in June 2005 as senior vice president, president Circuit City Direct. Prior to joining the company, he was an independent consultant from April 2004 to June 2005. He served from January 2003 to April 2004 as president and chief operating officer of Crutchfield Corporation, a direct integrated marketer of consumer electronics products. From June 2001 to January 2003, he was an independent consultant. In addition, he served from October 2000 to June 2001 as senior vice president of marketing for eCustomers, Inc., a provider of enterprise customer response solutions, and from July 1997 to October 2000 he was employed by Dell Computer Corporation in various marketing roles, including director of global marketing. Before joining Dell, he worked at L.L. Bean, Inc. for 11 years in catalog, international retailing and internet roles.

Mr. Sieger joined the company in 2003 as a vice president of warranty administration, with additional responsibility for the service division including field and depot repair, installations, PC services and call centers. In March 2005, he was named senior vice president, general merchandise manager for services. Prior to joining the company, he spent 13 years at General Electric Company, a diversified technology, media and financial services company, working in roles in finance, marketing, e-commerce, sales and business development.

Mr. Wick joined the company in December 2004 as senior vice president, general merchandise manager for audio and video. Before joining the company, he served as executive vice president of Petters Group Worldwide, an independent operating company that specializes in brand marketing. Prior to joining Petters Group Worldwide in 2004, he was vice president of retail strategies at Best Buy Co., Inc. from 2002 to 2004. He joined Best Buy in 1996 and served as merchandising manager from 1996 to 2001 and as vice president of merchandise from 2001 to 2002. Before joining Best Buy,

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he worked for Fretter/Silo, formerly a large retailer of home entertainment products, consumer electronics and appliances, for ten years.

PART II

Item 5. Market for the Company s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities.
The common stock of Circuit City Stores, Inc. is traded on the New York Stock Exchange under the symbol CC. As of March 31, 2006, there were 4,881 shareholders of record of common stock. On May 1, 2006, the common stock closed at $28.26.

	Market Price of Common Stock					
	2006		2005		Dividends	
Quarter	High	Low	High	Low	2006	2005
1st	$ 16.89	$ 14.80	$ 12.82	$ 10.18	$ .0175	$ .0175
2nd	$ 18.71	$ 16.25	$ 14.30	$ 11.90	$ .0175	$ .0175
3rd	$ 22.11	$ 15.36	$ 17.87	$ 12.96	$ .0175	$ .0175
4th	$ 25.92	$ 20.21	$ 17.25	$ 13.40	$ .0175	$ .0175
Total					$ .0700	$ .0700

The following table provides information about common stock repurchases by or on behalf of the company during the quarter ended February 28, 2006:

(Amounts in millions except per share data)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program*
December 1 December 31, 2005		$		$ 157.3
January 1 January 31, 2006	1.6	$ 24.40	1.6	$ 117.3
February 1 February 28, 2006		$		$ 117.3
Fiscal 2006 fourth quarter	1.6	$ 24.40	1.6	

*In January 2003, the company announced that the board of directors had authorized the repurchase of up to $200 million of common stock. In June 2004, the company announced a $200 million increase in its stock repurchase authorization, raising the repurchase capacity to $400 million. In March 2005, the company announced a $400 million increase in its stock repurchase authorization, raising the repurchase capacity to $800 million. There is no expiration date under the authorization. At March 31, 2006, $117.3 million remained available for share repurchases under the share repurchase authorization.

If the remaining borrowing availability under the company s $500 million revolving credit facility falls below $100 million, cash dividends and stock repurchases are limited to an aggregate of $75 million in any fiscal year.

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Item 6. Selected Financial Data.

	2006[a]	2005[a]	2004[a]	2003[b]	2002[b]
CONSOLIDATED SUMMARY OF NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS					
(Amounts in millions except per share data)					
Net sales	**$ 11,598**	$ 10,470	$ 9,857	$ 10,055	$ 9,618
Gross profit	**$ 2,831**	$ 2,568	$ 2,284	$ 2,397	$ 2,395
Operating income (loss)	**$ 220**	$ 93	$ (4)	$ (15)	$ 110
Earnings (loss) from continuing operations before income taxes	**$ 239**	$ 103	$ (1)	$ (10)	$ 122
Net earnings (loss) from continuing operations	**$ 151**	$ 64	$ (1)	$ (8)	$ 77
Net earnings (loss) per share from continuing operations:					
Basic	**$ 0.85**	$ 0.33	$	$ (0.04)	$ 0.38
Diluted	**$ 0.84**	$ 0.33	$	$ (0.04)	$ 0.37
CONSOLIDATED SUMMARY OF NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS PERCENTAGES					
(% of sales except effective tax rate)					
Gross profit	**24.4**	24.5	23.2	23.8	24.9
Operating income (loss)	**1.9**	0.9		(0.1)	1.1
Earnings (loss) from continuing operations before income taxes	**2.1**	1.0		(0.1)	1.3
Effective tax rate	**36.8**	37.4	36.5	21.9	36.6
Net earnings (loss) from continuing operations	**1.3**	0.6		(0.1)	0.8
CONSOLIDATED SUMMARY BALANCE SHEETS					
(Amounts in millions)					
Total current assets	**$ 2,833**	$ 2,745	$ 2,980	$ 3,116	$ 3,710
Property and equipment, net	**$ 839**	$ 727	$ 665	$ 722	$ 805
Long-term deferred income tax assets	**$ 98**	$ 80	$ 95	$ 66	$ 28
Goodwill and other intangible assets, net	**$ 254**	$ 247	$	$	$
Other assets	**$ 44**	$ 41	$ 43	$ 55	$ 171
Total assets	**$ 4,069**	$ 3,840	$ 3,783	$ 3,960	$ 4,715
Total current liabilities	**$ 1,622**	$ 1,315	$ 1,192	$ 1,249	$ 1,602
Long-term debt, excluding current installments	**$ 52**	$ 20	$ 33	$ 22	$ 25
Other long-term liabilities	**$ 440**	$ 425	$ 341	$ 322	$ 332
Total liabilities	**$ 2,114**	$ 1,760	$ 1,566	$ 1,593	$ 1,959
Total stockholders equity	**$ 1,955**	$ 2,080	$ 2,216	$ 2,366	$ 2,756
Total liabilities and stockholders equity	**$ 4,069**	$ 3,840	$ 3,783	$ 3,960	$ 4,715
CONSOLIDATED SUMMARY OF CASH FLOWS FROM CONTINUING OPERATIONS					
(Amounts in millions)					
Depreciation and amortization	**$ 164**	$ 154	$ 198	$ 160	$ 136
Cash flow from operating activities of continuing operations	**$ 365**	$ 460	$ (126)	$ (163)	$ 889
Purchases of property and equipment	**$ 255**	$ 269	$ 176	$ 151	$ 173
OTHER DATA					