UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended November 2, 2002

[ ] 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 1-8897

BIG LOTS, INC.

(Exact name of registrant as specified in its charter)

Ohio (State or other jurisdiction of incorporation or organization)	06-1119097 (I.R.S. Employer Identification No.)
300 Phillipi Road, P.O. Box 28512, Columbus, Ohio (Address of principal executive office)	43228-5311 (Zip Code)

(614) 278-6800
(Registrant's telephone number, including area code)

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 [X] No [ ]

The number of Common Shares, $.01 par value, outstanding as of December 11, 2002 was 116,146,151 and there were no Preferred Shares, $.01 par value, outstanding at that date.

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BIG LOTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(In thousands, except per share amounts)

	Thirteen weeks ended		Thirty-Nine weeks ended	
	November 2, 2002	November 3, 2001	November 2, 2002	November 3, 2001
Net sales	$868,163	$773,106	$2,651,559	$2,295,107
Costs and expenses:				
Cost of sales	501,919	456,465	1,538,551	1,364,621
Selling and administrative expenses	369,160	336,617	1,080,707	959,216
Interest expense	5,474	7,072	15,196	15,510
	876,553	800,154	2,634,454	2,339,347
Income (loss) before income taxes	(8,390)	(27,048)	17,105	(44,240)
Income tax expense (benefit)	(3,314)	(10,684)	6,756	(17,475)
Net income (loss)	$ (5,076)	$ (16,364)	$ 10,349	$ (26,765)
Income (loss) per common share — basic	$ (0.04)	$ (0.14)	$ 0.09	$ (0.24)
Income (loss) per common share — diluted	$ (0.04)	$ (0.14)	$ 0.09	$ (0.24)
Weighted average common shares outstanding:				
Basic	116,120	113,885	115,771	113,434
Dilutive effect of stock options			1,025	
Diluted	116,120	113,885	116,796	113,434

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

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BIG LOTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

	November 2, 2002(a)	February 2, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 21,749	$ 28,822
Inventories	944,764	705,293
Deferred income taxes	153,555	207,358
Refundable income taxes		9,308
Other current assets	65,101	43,293
Total current assets	1,185,169	994,074
Property and equipment - net	519,156	515,023
Other assets	25,019	24,112
	$1,729,344	$1,533,209
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 282,353	$ 205,522
Accrued liabilities and income taxes	142,665	116,352
Total current liabilities	425,018	321,874
Long-term obligations	293,400	204,000
Deferred income taxes and other liabilities	51,228	79,802
Commitments and contingencies		
Shareholders' equity:		
Common stock - authorized 290,000 shares, $.01 par value; issued 116,144 shares and 114,398 shares, respectively	1,161	1,144
Additional paid-in capital	457,769	435,970
Retained earnings	500,768	490,419
Total shareholders' equity	959,698	927,533
	$1,729,344	$1,533,209

(a) *Unaudited*

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

BIG LOTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In thousands)

	Thirty-Nine Weeks Ended	
	November 2, 2002	November 3, 2001
Operating activities:		
Net income (loss)	$ 10,349	$ (26,765)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	60,871	49,416
Deferred income taxes	25,498	(11,227)
Loss on sale of equipment	622	
Other	4,089	3,461
Change in assets and liabilities	(149,828)	(91,968)
Net cash used in operating activities	(48,399)	(77,083)
Investing activities:		
Capital expenditures	(67,746)	(85,925)
Proceeds from sale of equipment	2,137	
Other	1,688	6,026
Net cash used in investing activities	(63,921)	(79,899)
Financing activities:		
Payments for credit arrangements		(71,661)
Proceeds from long term debt arrangements	89,400	204,000
Proceeds from exercise of stock options	15,847	10,495
Proceeds from treasury rate lock		(1,138)
Net cash provided by financing activities	105,247	141,696
Decrease in cash and cash equivalents	(7,073)	(15,286)
Cash and cash equivalents:		
Beginning of period	28,822	30,661
End of period	$ 21,749	$ 15,375
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 8,471	$ 7,798
Cash paid for income taxes (excluding refunds)	$ 34,741	$ 1,795

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

BIG LOTS, INC. and SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 – Basis of Presentation

All references herein to the "Company" are to Big Lots, Inc. and its subsidiaries. The Company manages its business on the basis of one segment, broadline closeout retailing. As of November 2, 2002 and November 3, 2001 all of the Company's operations were located within the United States. The condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission for interim financial information. The condensed consolidated balance sheet at November 2, 2002, and the condensed consolidated statements of operations and statements of cash flows for the thirteen and thirty-nine week periods ended November 2, 2002, and November 3, 2001, respectively, have been prepared by the Company without audit. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations, and cash flows for all periods presented have been made. Such adjustments consisted only of normal recurring items.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted or condensed, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is recommended that the condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2002. Interim results are not necessarily indicative of results for a full year.

Note 2 – Summary of Significant Accounting Policies

Merchandise inventory

Merchandise inventory is carried at the lower of cost or market on a first-in, first-out basis, primarily on the retail method. Certain assumptions are made to properly record inventory at the lower of cost or market, and these assumptions are based on historical experience and current information. The Company's assumptions include significant judgments and estimates made by management including merchandise markup, markdowns, shrinkage, and the aging of inventories, each of which could significantly impact the ending inventory valuation at cost as well as the resulting gross margins. Due to the nature of the Company's purchasing practices for closeout and deeply discounted merchandise, vendors and merchandise suppliers generally do not offer the Company incentives such as slotting fees, co-operative advertising allowances, buydown agreements, or other forms of rebates that would materially reduce its cost of sales.

Long-lived assets

The Company has long-lived assets that consist primarily of property and equipment. The Company estimates useful lives on buildings and equipment using assumptions based on historical data and industry trends. Where there is an indication of impairment, the Company evaluates the fair value and future benefits of the related long-lived asset, and the anticipated undiscounted future net cash flows from the related asset is calculated and compared to the carrying value on the Company's books. The Company's assumptions related to estimates of future cash flows are based on historical results of cash flows adjusted for management projections for future periods taking into account known conditions and planned future activities. The Company's assumptions regarding the fair value of its long-lived assets are based on the discounted future cash flows.

Insurance reserves

The Company is self-insured for certain losses relating to general liability, workers' compensation, and employee medical benefit claims and the Company has purchased stop-loss coverage in order to limit significant exposure in these areas. Accrued insurance liabilities are based on claims filed and estimates of claims incurred but not reported. Such amounts are determined by applying actuarially-based calculations taking into account known trends and projections of future results. Actual claims experience can impact these calculations and, to the extent that subsequent claim costs vary from estimates, future earnings could be impacted and the impact could be material.

Income taxes

The Company has generated deferred tax assets or liabilities due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company has established a valuation allowance to reduce its deferred tax assets to the balance that is more likely than not to be realized. The Company records liabilities relating to income taxes utilizing known obligations and estimates of potential obligations.

Pension liabilities

Pension and other retirement benefits, including all relevant assumptions required by accounting principles generally accepted in the United States of America, are evaluated each year. Due to the technical nature of retirement accounting, outside actuaries are used to provide assistance in calculating the estimated future obligations. Since there are many estimates and assumptions involved in retirement benefits, differences between actual future events and prior estimates and assumptions could result in adjustments to pension expenses and obligations. Such assumptions include the discount rate, rate of increase in compensation levels, and the expected long-term rate of return on the related assets.

Legal obligations

In the normal course of business, the Company must make continuing estimates of potential future legal obligations and liabilities, which requires the use of management's judgment on the outcome of various issues. Management may also use outside legal advice to assist in the estimating process; however, the ultimate outcome of various legal issues could be different from management's estimates, and adjustments to income could be required. The assumptions that are used by management are based on the requirements of Statement of Financial Accounting Standards ("SFAS") No. 5, "Accounting for Contingencies." The Company will record a liability related to legal obligations when it has determined that it is probable that the Company will be obligated to pay and the related amount can be reasonably estimated, and it will disclose the related facts in the footnotes to its financial statements, if material. If the Company determines that either an obligation is probable or reasonably possible, the Company will disclose the nature of the loss contingency and the range of possible loss, or include a statement that no estimate of loss can be made. The Company makes these determinations in consultation with its outside legal advisors.

Cost of sales

Cost of sales includes the cost of merchandise (including related inbound freight), markdowns and inventory shortage, as well as cash discounts and rebates. The Company classifies purchasing and receiving costs, inspection costs, warehousing costs, internal transfer costs, and the other distribution network costs as selling and administrative expenses. Due to this classification, the Company's gross margins may not be comparable to those of other retailers that include costs related to their distribution network in cost of sales.

Selling and administrative expenses

The Company includes store expenses (such as payroll and occupancy costs), warehousing and distribution costs, advertising, buying, depreciation, insurance, and overhead costs in selling and administrative expenses.

Other comprehensive income

The Company’s comprehensive income is equal to net income, as there are no items that qualify as components of other comprehensive income.

Investments

Any unrealized gains or losses on equity securities classified as available-for-sale are recorded in other comprehensive income net of applicable income taxes. At November 2, 2002, the Company held no available-for-sale equity securities.

Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation.

Note 3 – Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 142, “Goodwill and Other Intangible Assets.” SFAS No. 142 eliminates the amortization of purchased goodwill and requires goodwill to be reviewed for impairment at least annually and expensed to earnings only in the periods in which the recorded value of goodwill is more than the fair value. SFAS No. 142 was effective for fiscal years beginning after December 15, 2001. This Statement was adopted in fiscal year 2002. Currently, this Statement does not materially impact the Company’s financial statements.

In June 2001, the FASB issued SFAS No. 143, “Accounting for Asset Retirement Obligations.” SFAS No. 143 requires that an obligation associated with the retirement of a tangible long-lived asset be recognized as a liability when incurred. Subsequent to initial measurement, an entity recognizes changes in the amount of the liability resulting from the passage of time and revisions to either the timing or amount of estimated cash flows. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company does not believe this pronouncement will have a material impact on its financial position, results of operations, or cash flows.

In August 2001, the FASB issued SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.” This Statement supersedes, SFAS No. 121, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of,” and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, “Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions,” that address the disposal of a segment of a business. The Statement also amends Accounting Research Bulletin No. 51, “Consolidated Financial Statements,” to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. The Statement is effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, and generally would be applied prospectively for disposal activities initiated by a commitment to a plan made after the entity’s initial adoption of the Statement. This Statement was adopted by the Company in fiscal year 2002. Currently, this Statement does not materially impact the Company’s financial statements.

In April 2002, the FASB issued SFAS No. 145, “Rescission of FASB Statements Nos. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections.” SFAS No. 145 eliminates the requirement to classify gains and losses from the extinguishment of indebtedness as extraordinary, requires certain lease modifications to be treated the same as a sale-leaseback transaction, and makes other non-substantive technical corrections to existing pronouncements. SFAS No. 145 is effective for fiscal years beginning after May 15, 2002, with earlier adoption encouraged. This Statement was adopted by the Company in fiscal year 2002. The Company does not believe this pronouncement will have a material impact on its financial position, results of operations, or cash flows.

In July 2002, the FASB issued SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities.” SFAS No. 146 requires companies to recognize cost associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan period. SFAS No. 146 is required to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The Company does not believe this pronouncement will have a material impact on its financial position, results of operations, or cash flows.

Note 4 – Debt

On May 8, 2001, the Company entered into a $512.5 million senior unsecured revolving credit agreement (“Revolving Credit Agreement”) with a group of financial institutions, which consisted of a $358.75 million three-year revolving credit facility and a $153.75 million 364-day facility, renewable annually. The Revolving Credit Agreement replaced the Company’s $500 million senior unsecured Revolving Credit Facility (“Prior Revolver”) that was due to expire on May 6, 2002.

Also on May 8, 2001, the Company completed a $204 million private placement of unsecured senior notes (“Senior Notes”) with maturities ranging from four to six years. Principal maturities of long-term debt for the current and next five fiscal years are as follows:

2002	—
2003	—
2004	—
2005	$174 million
2006	$15 million
2007	$15 million

The Senior Notes currently carry a weighted-average yield of 8.21 percent and rank pari passu with the Company’s Revolving Credit Agreement. Proceeds from the issue were used to pay down the Prior Revolver.

Both the Revolving Credit and Senior Note Agreements contain customary affirmative and negative covenants including financial covenants requiring the Company to maintain specified fixed charge coverage and leverage ratios as well as a minimum level of net worth.

On October 30, 2001, the financial covenants of the Revolving Credit Agreement were amended to provide the Company with increased operating flexibility. On February 25, 2002, both the Revolving Credit Agreement and Senior Note Agreement were amended to revise the fixed charge coverage and leverage ratio financial covenant calculations. As part of the February 25, 2002 amendments, the Company provided collateral, consisting principally of its inventories, as security for both the Revolving Credit and Senior Note Agreements, and agreed to certain changes in other terms.

The February 25, 2002 amendment to the Revolving Credit Agreement imposed certain limitations on the extent to which the Company may borrow under the Revolving Credit Agreement. The Company’s borrowing base will fluctuate monthly based on the value of the Company’s inventory, as determined in accordance with the Revolving Credit Agreement. On April 30, 2002, the Revolving Credit Agreement was further amended to increase the applicable borrowing base.

On May 8, 2002, the Company’s 364-day facility expired. This facility had not been used during the prior year and, accordingly, was not renewed. The Company believes that the remaining $358.75 million three-year revolving credit facility, combined with the existing cash balances and the Senior Notes, provide sufficient liquidity to meet its operating and seasonal borrowing needs.

The amortization of debt issuance costs is included in interest expense in the statement of operations.

Note 5 – Contingencies and Litigation

The Company and certain of its subsidiaries are named as defendants in various legal proceedings and claims, including various employment related matters, which are incidental to their ordinary course of business. Management continues to believe that meritorious defenses are available to the Company and will aggressively defend the Company in these actions. The Company is pursuing a settlement of one such employment related matter and believes the matter could be concluded during the fourth quarter of 2002. While the likelihood of a liability related to this matter during the fourth quarter of 2002 is possible, the Company does not believe that, should the matter be settled, the impact will be significant to its 2002 fourth quarter operating results. No liabilities have been recorded relating to these matters because the obligations are not viewed as probable.

The Company is self insured for certain losses relating to general liability, workers compensation and employee medical benefit claims, and the Company has purchased stop-loss coverage in order to limit significant exposure in these areas. Accrued insurance liabilities are actuarially determined based on claims filed and estimates of claims incurred but not reported.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statement for Purposes of "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995

The Private Securities Litigation Reform Act of 1995 (the "Act") provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information, so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the statement. The Company wishes to take advantage of the "safe harbor" provisions of the Act.

This report, as well as other verbal or written statements or reports made by or on the behalf of the Company, may contain or may incorporate material by reference which includes forward-looking statements within the meaning of the Act. Statements, other than those based on historical facts, which address activities, events, or developments that the Company expects or anticipates will or may occur in the future, including such things as future capital expenditures (including the amount and nature thereof), business strategy, expansion and growth of the Company's business and operations, and other similar matters are forward-looking statements, which are based upon a number of assumptions concerning future conditions that may ultimately prove to be inaccurate. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions within the bounds of its knowledge of its business, actual events and results may materially differ from anticipated results described in such statement.

The Company's ability to achieve such results is subject to certain risks and uncertainties, any one, or a combination, of which could materially affect the results of the Company's operations. These factors include: sourcing and purchasing merchandise, the cost of the merchandise, economic and weather conditions which affect buying patterns of the Company's customers, changes in consumer spending and consumer debt levels, inflation, the Company's ability to anticipate buying patterns and implement appropriate inventory strategies, continued availability of capital and financing, competitive pressures and pricing pressures, and other risks described from time to time in the Company's filings with the Securities and Exchange Commission.

Consequently, all of the forward-looking statements are qualified by these cautionary statements, and there can be no assurance that the results or developments anticipated by the Company will be realized or that they will have the expected effects on the Company or its business or operations.

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date thereof. The Company undertakes no obligation to publicly release any revisions to the forward-looking statements contained in this report, or to update them to reflect events or circumstances occurring after the date of this report, or to reflect the occurrence of unanticipated events.

Recent Announcements

In relation with the Company's name change to Big Lots, Inc., the Company completed its conversion of the final 59 Pic 'N' Save stores in the Los Angeles market in August. Since the Company began this initiative in March, 2001, 434 stores in total have been converted, including 380 stores previously operating under the names Odd Lots, Mac Frugal's, and Pic 'N' Save, and 54 existing Big Lots stores located in conversion markets.

In connection with this process, the Company has made certain improvements to the converted sites. The improvements made vary by location and include, among other things, painting, lighting retrofits, new signage (interior and exterior), new flooring, and updated restrooms. The Company believes that Big Lots is its most recognizable brand name and that this change offers numerous opportunities to increase brand awareness among customers, suppliers, investors, and the general public. The Company believes the change will also allow it to leverage future television advertising and other expenses.

Overview

The Company is the nation's largest broadline closeout retailer. At November 2, 2002, the Company operated a total of 1,371 stores in 45 states, operating as BIG LOTS and BIG LOTS FURNITURE. The Company's goal is to build upon its leadership position by expanding its market presence in both existing and new markets. The Company believes that the combination of its strengths make it a low-cost value retailer well positioned for future growth.

Wholesale operations are currently conducted through BIG LOTS WHOLESALE, CONSOLIDATED INTERNATIONAL, WISCONSIN TOY, and with online shopping at biglotswholesale.com.

The Company has historically experienced, and expects to continue to experience, seasonal fluctuations, with a significant percentage of its net sales and operating profit being realized in the fourth quarter. In addition, the Company's quarterly results can be affected by the timing of store openings and closings, the amount of net sales contributed by new and existing stores, and the timing of certain holidays. Furthermore, in anticipation of increased sales activity during the fourth quarter, the Company purchases substantial amounts of inventory during the second and third quarters and hires a significant number of temporary employees to increase store staffing during the fourth quarter.

The seasonality of the Company's business also influences the Company's demand for seasonal borrowings. The Company historically has drawn upon its seasonal credit lines in the first three quarters and has substantially repaid the borrowings during the fourth quarter. During the current fiscal year, the Company did not begin drawing on its seasonal credit lines until the third quarter and expects to have completely repaid these seasonal borrowings prior to the end of the fourth quarter.

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

	Thirteen weeks ended		Thirty-Nine weeks ended	
	November 2, 2002	November 3, 2001	November 2, 2002	November 3, 2001
Net sales	100.0%	100.0%	100.0%	100.0%
Gross profit	42.2	41.0	42.0	40.5
Selling and administrative expenses	42.5	43.5	40.8	41.8
Operating profit (loss)	(0.3)	(2.6)	1.2	(1.3)
Interest expense	0.6	0.9	0.6	0.7
Income (loss) from operations before income taxes	(1.0)	(3.5)	0.6	(1.9)
Income tax expense (benefit)	(0.4)	(1.4)	0.3	(0.8)
Net income (loss)	(0.6)%	(2.1)%	0.4%	(1.2)%
Number of stores in operation at end of period	1,371	1,332	1,371	1,332

Results of Operations

Net Sales

Net sales increased to $868.2 million for the thirteen week period ended November 2, 2002, from $773.1 million for the thirteen week period ended November 3, 2001, an increase of $95.1 million, or 12.3%. This increase resulted primarily from comparable stores sales increase of 7.1%, with the remaining 5.2% growth driven primarily by an increase in the number of new stores during the year (net of store closings). The Company attributes its third quarter comparable store sales increase of 7.1% to an increase in the dollar value of the average transaction of 4.0% and an increase in the number of customer transactions of 3.1%. The Company estimates that the higher level of conversion store activity in the third quarter of fiscal 2001 of 101 stores when compared to activity in the third quarter of fiscal 2002 of 59 stores reduced this year’s third quarter comparable store sales by approximately one percent.

Comparable store sales are calculated using all stores that have been open for at least two years as of the beginning of the fiscal year.

Net sales increased to $2,651.6 million for the thirty-nine week period ended November 2, 2002 from $2,295.1 million for the same period of 2001, an increase of $356.5 million, or 15.5%. This increase resulted primarily from comparable stores sales increase of 10.3%, with the remaining 5.2% growth driven primarily by an increase in the number of new stores during the year (net of store closings). The Company attributes its year-to-date comparable store sales increase of 10.3% to an increase in the dollar value of the average transaction of 5.5% and an increase in the number of customer transactions of 4.8%.

The Company believes the increase in the number of customer transactions and the increase in the dollar value of the average transaction for the thirteen and thirty-nine week periods ended, November 2, 2002, may have resulted from several factors such as more reliable in-stock levels on consumables products, more productive advertising circulars, increased television advertising spending, the successful re-grand opening of 434 conversion stores since March 2001, and the introduction of furniture departments in 129 stores over the prior year. In terms of product categories, third quarter 2002 and year-to-date sales growth was broad based with positive comparable store sales increases across most major categories, and strong gains in consumables, domestics, furniture, hardlines, and home décor.

The Company believes that future sales growth is dependent upon the increased number of customer transactions as well as increases in the dollar value of the average transaction. The following table summarizes comparable year-to-date store sales for all reportable periods as well as growth in customer transactions and in the value of the average transaction:

	Thirty-Nine weeks ended	
	November 2, 2002	November 3, 2001
Comparable Store Sales	10.3%	1.1%
Customer Transactions	4.8%	(.7%)
Value of the Average Transaction	5.5%	1.8%

Gross Profit

Gross profit increased $49.6 million in the third quarter of 2002 to $366.2 million from $316.6 million in the third quarter of 2001. Gross profit as a percent of net sales increased to 42.2% in the third quarter of 2002 compared to 41.0% in the third quarter of the prior year. Gross profit increased $182.5 million in the first three quarters of 2002 to $1,113.0 million from $930.5 million in the first three quarters of 2001. Gross profit as a percent of net sales increased to 42.0% in the first three quarters of 2002 compared to 40.5% in the same period of the prior year. The gross profit rate increase for both the thirteen and thirty-nine week periods is primarily due to opportunistic buying conditions across most merchandise categories.

Selling and Administrative Expenses

Selling and administrative expenses increased $32.6 million in the third quarter of 2002 to $369.2 million from $336.6 million in the third quarter of 2001. As a percent of net sales, selling and administrative expenses decreased to 42.5% from 43.5% in the prior year third quarter.

Year to date selling and administrative expenses increased $121.5 million in 2002 to $1,080.7 million from $959.2 million in 2001. As a percent of net sales, selling and administrative expenses decreased to 40.8% from 41.8% in the prior year thirty-nine week period.

The rate improvement over last year for both the quarter and year-to-date periods is primarily due to accelerating comparable sales on an expense base of which a large portion is fixed. The increase in selling and administrative spending year-to-date was driven by an increase in the number of stores, additional variable costs associated with the higher levels of sales (primarily store payroll, incentive compensation, distribution and transportation costs), investment in strategic repositioning initiatives, and insurance expense.

Warehousing and distribution costs, which are included in Selling and Administrative Expenses (see Summary of Significant Accounting Policies in the Notes to the Consolidated Financial Statements), decreased 76 basis points as a percentage of sales for the third quarter as compared to 2001. For the thirty-nine week period, warehousing and distribution costs decreased 66 basis points as a percentage of sales compared to the prior year thirty-nine week period. The reduction in warehousing and distribution costs as a percentage of sales for the thirteen and thirty-nine week periods is primarily due to productivity improvements and the leveraging of costs over a higher sales base.

Interest Expense

Interest expense, including the amortization of debt issuance costs, was $5.5 million in the third quarter of 2002 compared to $7.1 million in the third quarter of 2001, and was $15.2 million for the thirty-nine week period ended November 2, 2002 compared to $15.5 million for the same period of 2001. As a percentage of sales, interest expense was 6.3% in the third quarter of 2002, down from 9.1% in the third quarter of 2001. Interest expense as a percentage of sales remains relatively flat for the year compared to the same period in 2001. The 2002 interest primarily relates to the Senior Notes and the amortization of debt issuance costs. The decrease in interest expense for both the quarter and year-to-date periods over 2001 is primarily due to lower average borrowings under the

Company's Revolving Credit Agreement. The year-to-date decrease was partially offset by 2001 expense being favorably impacted in the first and second quarters by the capitalization of $2.4 million of interest related to the Tremont, Pennsylvania distribution center. Additionally, the $204.0 million of Senior Notes, which carry a higher interest rate than the variable-priced Revolving Credit Agreement, were not in place until the second quarter of 2001.

Income Taxes

The effective tax rate of the Company is currently at 39.5%. This remains unchanged from the prior year effective tax rate.

Capital Resources and Liquidity

On May 8, 2001, the Company entered into a $512.5 million senior unsecured revolving credit agreement ("Revolving Credit Agreement") with a group of financial institutions, which consisted of a $358.75 million three-year revolving credit facility and a $153.75 million 364-day facility, renewable annually. The Revolving Credit Agreement replaced the Company's $500 million senior unsecured Revolving Credit Facility ("Prior Revolver") that was due to expire on May 6, 2002.

Also on May 8, 2001, the Company completed a $204 million private placement of unsecured senior notes ("Senior Notes") with maturities ranging from four to six years. Principal maturities of long-term debt for the current and next five fiscal years are as follows:

2002	—
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2005	$174 million
2006	$15 million
2007	$15 million

The Senior Notes currently carry a weighted-average yield of 8.21 percent and rank pari passu with the Company's Revolving Credit Agreement. Proceeds from the issue were used to pay down the Prior Revolver.

Both the Revolving Credit and Senior Note Agreements contain customary affirmative and negative covenants including financial covenants requiring the Company to maintain specified fixed charge coverage and leverage ratios as well as a minimum level of net worth.

On October 30, 2001, the financial covenants of the Revolving Credit Agreement were amended to provide the Company with increased operating flexibility. On February 25, 2002, both the Revolving Credit Agreement and Senior Note Agreement were amended to revise the fixed charge coverage and leverage ratio financial covenant calculations. As part of the February 25, 2002 amendments, the Company provided collateral, consisting principally of its inventories, as security for both the Revolving Credit and Senior Note Agreements, and agreed to certain changes in other terms.

The February 25, 2002 amendment to the Revolving Credit Agreement imposed certain limitations on the extent to which the Company may borrow under the Revolving Credit Agreement. The Company's borrowing base will fluctuate monthly based on the value of the Company's inventory, as determined in accordance with the Revolving Credit Agreement. On April 30, 2002, the Revolving Credit Agreement was further amended to increase the applicable borrowing base.

On May 8, 2002, the Company's 364-day facility expired. This facility had not been used during the prior year and, accordingly, was not renewed. The Company believes that the remaining $358.75 million three-year revolving credit facility, combined with the existing cash balances and the Senior Notes, provide sufficient liquidity to meet its operating and seasonal borrowing needs.

The amortization of debt issuance cost is included in interest expense in the statement of operations.

The primary sources of liquidity for the Company have been cash flow from operations, proceeds from the Senior Notes, and as necessary, borrowings under the Revolving Credit Agreement. Working capital at November 2, 2002, was $760.2 million. Total debt as of November 2, 2002 was $293.4 million, consisting of $204.0 million in Senior Notes and $89.4 million under the Revolving Credit Agreement. In addition, $37.7 million was outstanding in letters of credit, which reside under the Revolving Credit Agreement. As a result $193.9 million was available under the Revolving Credit Agreement at November 2, 2002.

Capital expenditures were $20.5 million for the thirteen week period ended November 2, 2002, a decrease of $3.8 million from the same period of 2001. Capital expenditures were $67.7 million for the thirty-nine week period ended November 2, 2002, a decrease of $18.2 million from the same period of 2001. Capital expenditures in 2002 were primarily driven by investments in strategic initiatives in conjunction with the Company's strategic repositioning, as well as new store openings. Capital expenditures in 2001 were primarily driven by new store openings and additional distribution center capacity. Capital expenditures requirements in 2002 are anticipated to be approximately $90.0 million, primarily to convert remaining stores to the Big Lots name, to invest in new stores and store expansions, and to continue construction of a new distribution facility in Durant, Oklahoma.

Critical Accounting Policies and Estimates

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 about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment.

The Company's accounting policies are more fully described in the Summary of Significant Accounting Policies in the Notes to the Consolidated Financial Statements. The Company has certain critical accounting policies and accounting estimates, which are described below.

Merchandise inventory. Merchandise inventory is carried at the lower of cost or market on a first-in, first-out basis, primarily on the retail method. Certain assumptions are made to properly record inventory at the lower of cost or market, and these assumptions are based on historical experience and current information. The Company's assumptions include significant judgments and estimates made by management including merchandise markup, markdowns, shrinkage, and the aging of inventories, each of which could significantly impact the ending inventory valuation at cost as well as the resulting gross margins. Due to the nature of the Company's purchasing practices for closeout and deeply discounted merchandise, vendors and merchandise suppliers generally do not offer the Company incentives such as slotting fees, co-operative advertising allowances, buydown agreements, or other forms of rebates that would materially reduce its cost of sales.

Long-lived assets. The Company has long-lived assets that consist primarily of property and equipment. The Company estimates useful lives on buildings and equipment using assumptions based on historical data and industry trends. Where there is an indication of impairment, the Company evaluates the fair value and future benefits of the related long-lived asset, and the anticipated undiscounted future net cash flows from the related asset is calculated and compared to the carrying value on the Company's books. The Company's assumptions related to estimates of future cash flows are based on historical results of cash flows adjusted for management projections for future periods taking into account known conditions and planned future activities. The Company's assumptions regarding the fair value of its long-lived assets are based on the discounted future cash flows.

Insurance reserves. The Company is self-insured for certain losses relating to general liability, workers' compensation, and employee medical benefit claims, and the Company has purchased stop-loss coverage in order to limit significant exposure in these areas. Accrued insurance liabilities are based on claims filed and estimates of claims incurred but not reported. Such amounts are determined by applying actuarially-based calculations taking into account known trends and projections of future results. Actual claims experience can impact these calculations and, to the extent that subsequent claim costs vary from estimates, future earnings could be impacted and the impact could be material.

Income taxes. The Company has generated deferred tax assets or liabilities due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company has established a valuation allowance to reduce its deferred tax assets to the balance that is more likely than not to be realized. The Company records liabilities relating to income taxes utilizing known obligations and estimates of potential obligations.

Pension liabilities. Pension and other retirement benefits, including all relevant assumptions required by accounting principles generally accepted in the United States of America, are evaluated each year. Due to the technical nature of retirement accounting, outside actuaries are used to provide assistance in calculating the estimated future obligations. Since there are many estimates and assumptions involved in retirement benefits, differences between actual future events and prior estimates and assumptions could result in adjustments to pension expenses and obligations. Such assumptions include the discount rate, rate of increase in compensation levels, and the expected long-term rate of return on the related assets.

Legal obligations. In the normal course of business, the Company must make continuing estimates of potential future legal obligations and liabilities, which requires the use of management’s judgment on the outcome of various issues. Management may also use outside legal advice to assist in the estimating process; however, the ultimate outcome of various legal issues could be different from management’s estimates, and adjustments to income could be required. The assumptions that are used by management are based on the requirements of SFAS No. 5, “Accounting for Contingencies.” The Company will record a liability related to legal obligations when it has determined that it is probable that the Company will be obligated to pay and the related amount can be reasonably estimated, and it will disclose the related facts in the footnotes to its financial statements, if material. If the Company determines that either an obligation is probable or reasonably possible, the Company will disclose the nature of the loss contingency and the range of possible loss, or include a statement that no estimate of loss can be made. The Company makes these determinations in consultation with its outside legal advisors.

The above listing is not intended to be a comprehensive list of all the Company’s accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States of America, with no need for management’s judgment in its application. There are also areas in which management’s judgment in selecting any available alternative would not produce a materially different result. See the Company’s audited Consolidated Financial Statements and Notes thereto for the fiscal year ended February 2, 2002, which contain accounting policies and other disclosures required by accounting principles generally accepted in the United States of America.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

All aspects of the retailing industry are highly competitive. The Company competes with discount stores (such as Wal-Mart®, KMart®, and Target®), dollar stores, deep discount drugstore chains, and other value-oriented specialty retailers. Certain of the Company’s competitors have greater financial, distribution, marketing, and other resources than the Company.

The Company relies on buying opportunities from both existing and new sources, for which it competes with other closeout merchandisers and wholesalers. The Company believes that its management has long-standing relationships with its suppliers and is competitively positioned to continue to seek new sources in order to maintain an adequate continuing supply of quality merchandise at attractive prices.

The Company is subject to market risk from exposure to changes in interest rates based on its financing, investing, and cash management activities. The Company does not expect changes in interest rates in 2002 to have a material effect on income or cash flows; however, there can be no assurances that interest rates will not materially change.

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

Item 4. CONTROLS AND PROCEDURES.

(a) *Evaluation of disclosure controls and procedures*. The Company's Chief Executive Officer and Chief Financial Officer have performed an evaluation of the Company's disclosure controls and procedures, as that term is defined in Rule 13a-14 (c) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), within 90 days of the date of this report, and each has concluded that such disclosure controls and procedures are effective in design and operation in order to ensure that information required to be disclosed in the Company's periodic reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's rules, forms and regulations.

(b) *Changes in internal controls*. As a result of the evaluation, no significant changes were made in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Part II-Other Information

Item 1. LEGAL PROCEEDINGS. Not applicable.

Item 2. CHANGES IN SECURITIES AND USE OF PROCEEDS. Not applicable.

Item 3. DEFAULTS UPON SENIOR SECURITIES. Not applicable.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS. Not applicable

Item 5. OTHER INFORMATION. Not applicable.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) *Exhibits*.

Exhibit No.	Document
99.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes- Oxley Act of 2002.

(b) *Reports on Form 8-K*. The Company filed a Current Report on Form 8-K dated September 16, 2002, announcing that Michael J. Potter, Chief Executive Officer of the Company, and Jeffrey G. Naylor, Chief Financial Officer of the Company, had each submitted to the SEC a sworn statement under oath as required by SEC Order 4-460 dated June 27, 2002. Copies of those statements were attached to the filing.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BIG LOTS, INC.
(Registrant)

Dated: December 16, 2002

By: /s/ Jeffrey G. Naylor

Jeffrey G. Naylor
Senior Vice President and
Chief Financial Officer

Certification

I, Michael J. Potter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Big Lots, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: December 16, 2002

By: /s/ Michael J. Potter

Michael J. Potter
Chairman of the Board, Chief Executive Officer
and President

Certification

I, Jeffrey G. Naylor, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Big Lots, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: December 16, 2002

By: /s/ Jeffrey G. Naylor

Jeffrey G. Naylor
Senior Vice President and
Chief Financial Officer

Exhibit 99.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the quarterly report on Form 10-Q (the "Form 10-Q") for the quarter ended November 2, 2002 of Big Lots, Inc. (the "Issuer"). I, Michael J. Potter, Chief Executive Officer of Issuer, certify that:

(i) the Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Dated: December 16, 2002

/s/ Michael J. Potter

Michael J. Potter

Exhibit 99.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the quarterly report on Form 10-Q (the "Form 10-Q") for the quarter ended November 2, 2002 of Big Lots, Inc. (the "Issuer"). I, Jeffrey G. Naylor, Chief Financial Officer of Issuer, certify that:

(i) the Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Dated: December 16, 2002

/s/ Jeffrey G. Naylor
____
Jeffrey G. Naylor