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 August 2, 2003

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 1-8897

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 o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes x No o

The number of Common Shares, $.01 par value, outstanding as of September 8, 2003 was 116,894,171 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		Twenty-six weeks ended	
	August 2, 2003	August 3, 2002	August 2, 2003	August 3, 2002
Net sales	$949,275	$879,255	$1,897,657	$1,783,396
Costs and expenses:				
Cost of sales	557,634	510,993	1,107,904	1,036,632
Selling and administrative expenses	401,179	358,054	778,097	711,547
Operating (loss) income	(9,538)	10,208	11,656	35,217
Interest expense	3,906	5,139	8,711	10,203
Interest income	(272)	(250)	(731)	(481)
(Loss) income before income taxes	(13,172)	5,319	3,676	25,495
Income tax (benefit) expense	(5,203)	2,101	1,452	10,070
Net (loss) income	$ (7,969)	$ 3,218	$ 2,224	$ 15,425
(Loss) income per common share - basic	$ (0.07)	$ 0.03	$ 0.02	$ 0.13
(Loss) income per common share - diluted	$ (0.07)	$ 0.03	$ 0.02	$ 0.13
Weighted average common shares outstanding:				
Basic	116,754	116,019	116,616	115,597
Dilutive effect of stock options	—	1,447	175	884
Diluted	116,754	117,466	116,791	116,481

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

BIG LOTS, INC. AND SUBSIDIARIES

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

	(Unaudited) August 2, 2003	February 1, 2003
ASSETS		
Current assets:		
Cash	$ 25,175	$ 23,193
Cash equivalents	58,009	143,815
Inventories	819,902	776,210
Deferred income taxes	65,194	61,221
Other current assets	85,703	64,728
Total current assets	1,053,983	1,069,167
Property and equipment - net	576,831	532,264
Deferred income taxes	21,889	17,766
Other assets	21,688	23,074
	$1,674,391	$1,642,271
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 303,374	$ 241,905
Accrued liabilities	130,422	169,002
Total current liabilities	433,796	410,907
Long-term obligations	204,000	204,000
Other liabilities	1,095	1,183
Commitments and contingencies		
Shareholders' equity:		
Common stock - authorized 290,000 shares, $.01 par value; issued 116,810 shares and 116,165 shares, respectively	1,168	1,162
Additional paid-in capital	465,131	458,043
Retained earnings	569,201	566,976
Total shareholders' equity	1,035,500	1,026,181
	$1,674,391	$1,642,271

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

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BIG LOTS, INC. AND SUBSIDIARIES

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

	Twenty-six weeks ended	
	August 2, 2003	August 3, 2002
Operating activities:		
Net income	$ 2,224	$ 15,425
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	42,692	39,901
Deferred income taxes	(8,097)	20,120
Loss on sales of property and equipment	580	464
Bank and bond fees	1,925	(2,573)
Employee benefits paid with common stock	4,565	4,642
Other	(340)	62
Change in assets and liabilities	(41,778)	(43,777)
Net cash provided by operating activities	1,771	34,264
Investing activities:		
Capital expenditures	(87,868)	(47,258)
Proceeds from sale of equipment	35	1,832
Other	(96)	1,464
Net cash used in investing activities	(87,929)	(43,962)
Financing activities:		
Proceeds from exercise of stock options	2,334	15,342
Net cash provided by financing activities	2,334	15,342
(Decrease) increase in cash and cash equivalents	(83,824)	5,644
Cash and cash equivalents:		
Beginning of period	167,008	28,822
End of period	$ 83,184	$ 34,466
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 8,560	$ 8,322
Cash paid for income taxes (excluding refunds)	$ 44,345	$ 34,141

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 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 August 2, 2003, and the Condensed Consolidated Statements of Operations and Statements of Cash Flows for the thirteen and twenty-six week periods ended August 2, 2003 and August 3, 2002, 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. The Condensed Consolidated Financial Statements include the accounts of the Company and those subsidiaries for which the Company, directly or indirectly, has the ability to exercise significant influence over operating and financial policies. All significant intercompany transactions have been eliminated.

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 1, 2003. Interim results are not necessarily indicative of results for a full year.

Note 2 – Summary of Significant Accounting Policies

Segment Reporting

The Company manages its business on the basis of one segment, broadline closeout retailing. As of August 2, 2003 and August 3, 2002, all of the Company’s operations were located within the United States.

Cash, Cash Equivalents and Short-term Investments

Cash and cash equivalents consist of highly liquid investments which are unrestricted as to withdrawal or use and which have an original maturity of three months or less. Cash equivalents are stated at cost, which approximates market value. When the intended holding period of a liquid investment exceeds three months, the Company will classify the cash equivalent as a short-term investment. The Company’s policy is to invest in instruments at or above investment grade.

Management 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 which affect reported amounts of assets and liabilities and disclosure of significant contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

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Merchandise Inventories

Merchandise inventories are 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, cooperative advertising allowances, buy down agreements, or other forms of rebates that would materially reduce its cost of sales.

Stock Options

The Company measures compensation cost for stock options issued to employees and directors using the intrinsic value-based method of accounting in accordance with Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees." If compensation cost for the Company's stock options had been determined based on the fair value method under Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," the Company's net (loss) income and net (loss) income per share would have been reduced to the pro forma amounts as follows (see Stock Plans in the Notes to the Consolidated Financial Statements):

	Twenty-six weeks ended	
(In thousands, except per share amounts)	**August 2, 2003**	**August 3, 2002**
Net (loss) income:		
As reported	$(7,969)	$3,218
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards, net of related tax effect	1,536	1,762
Pro forma	$(9,505)	$1,456
(Loss) income per common share - basic:		
As reported	$ (0.07)	$ 0.03
Pro forma	$ (0.08)	$ 0.01
(Loss) income per common share - diluted:		
As reported	$ (0.07)	$ 0.03
Pro forma	$ (0.08)	$ 0.01

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	August 2, 2003	**August 3, 2002**
Weighted-average fair value of options granted	$6.75	$9.10
Risk-free interest rates	3.0%	4.3%
Expected life (years)	4.9	5.4
Expected volatility	57.6%	54.8%

Property and Equipment

Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets. Service lives are principally forty years for buildings and from three to fifteen years for other property and equipment.

Impairment

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.

Computer Software Costs

The Company records software development costs in accordance with the American Institute of Certified Public Accountants' Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use."

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, the 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 materially 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, if material, disclose the nature of the loss contingency and the estimated 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 shrinkage, 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.

Intangible Assets

Trademarks, service marks, and other intangible assets are amortized on a straight-line basis over a period of fifteen years. Where there is an indication of impairment, the Company evaluates the fair value and future benefits of the related intangible asset and the anticipated undiscounted future net cash flows from the related intangible 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 intangible assets are based on the discounted future cash flows. As of August 2, 2003, the amount of the Company's intangible assets was $0.30 million and the related accumulated amortization was $0.02 million.

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 August 2, 2003, the Company held no available-for-sale equity securities.

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.

Revenue Recognition

The Company recognizes retail sales in its stores at the time the customer takes possession of merchandise. All sales are net of returns and exclude sales tax. The reserve for retail merchandise returns is based on the Company's prior experience.

Wholesale sales are recognized in accordance with the shipping terms agreed upon on the purchase order. Wholesale sales are predominantly recognized under FOB origin where title and risk of loss pass to the buyer when the merchandise leaves the Company's distribution center. However, when the shipping terms are FOB destination, recognition of sales revenue is delayed until completion of delivery to the buyer's place of business.

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.

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. 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. This pronouncement was adopted in fiscal 2003 and has no material impact on the Company's 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 costs 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 adoption of this pronouncement has no material impact on the Company's financial position, results of operations, or cash flows.

In December 2002, the FASB issued SFAS No. 148, “Accounting for Stock-Based Compensation–Transition and Disclosure.” SFAS No. 148 amends SFAS No. 123, “Accounting for Stock-Based Compensation.” Although it does not require use of fair value method of accounting for stock-based employee compensation, it does provide alternative methods of transition. It also amends the disclosure provisions of SFAS No. 123 and APB No. 28, “Interim Financial Reporting,” to require disclosure in the summary of significant accounting policies of the effects of an entity’s accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. SFAS No. 148’s amendment of the transition and annual disclosure requirements is effective for fiscal years ending after December 15, 2002. The amendment of disclosure requirements of APB No. 28 is effective for interim periods beginning after December 15, 2002. Although the Company has not changed to the fair value method, the disclosure requirements of this Statement have been adopted.

Note 4 – Debt

On May 8, 2001, the Company entered into a senior 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 prior senior unsecured revolving credit facility (“Prior Revolver”) which, at the time of its replacement, consisted of a $500 million revolving credit facility that was due to expire on May 6, 2002. There were no outstanding borrowings under the Revolving Credit Agreement during the quarters ended August 2, 2003, and August 3, 2002.

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

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 exclude the non-cash fiscal 2001 fourth quarter charge from 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 fluctuates at least quarterly 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 factor.

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. On July 31, 2003, the Revolving Credit Agreement was further amended to extend the maturity one year to May 2005, and to reduce the size of the facility from $358.75 million to $300 million to better match the facility size with the liquidity needs of the Company and minimize facility fees. The Company believes that the $300 million revolving credit facility, combined with cash provided by operations, 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 Condensed Consolidated Statement of Operations.

Note 5 – Contingencies and Litigation

The Company and its subsidiaries are or may be subject to certain commitments and contingencies, including legal proceedings, taxes, insurance and other matters that are incidental to their ordinary course of business. Where and to the extent that the Company believes that a loss is probable and can be reasonably estimated, the Company will record a liability.

The Company recently reached a preliminary settlement of purported class action lawsuits filed in the Superior Court of San Bernardino County, California, relating to the calculation of earned overtime wages for certain of the Company's former and current store managers and assistant store managers in that state. Each of the lawsuits was filed by plaintiffs who are current or former store managers or assistant store managers on behalf of themselves and other similarly situated store managers and assistant store managers. The lawsuits alleged that the Company improperly classified such employees as exempt under California's wage and hour laws. The recent preliminary settlement, which addresses claims dating back to 1996 and is subject to court approval, fully resolves all claims brought by the plaintiffs in these California lawsuits. Under the preliminary settlement, the Company would make a cash settlement payment of $10 million to cover claims by eligible class members, attorneys' fees and costs of the class members, cost to a third-party administrator and applicable employer payroll taxes. The Company does not expect the settlement to have a material impact on its labor costs going forward. While the settlement is still subject to final court approval, the Company believes that the liability is both probable and can be reasonably estimated.

The Company has also recently reached a preliminary agreement to settle a national class action lawsuit relating to certain advertising practices of KB Toys. The KB Toy Division was sold by the Company on December 7, 2000. The lawsuit alleged that KB Toys improperly used comparative pricing in its advertisements before and after such sale. The preliminary settlement, which is still subject to court approval, calls for the payment of certain attorneys' fees and administrative expenses, discounts to be provided to KB customers and a potential toy donation to national charities. The total value of the settlement as preliminarily approved by the court is estimated to be approximately $4.0 million. If the settlement receives final court approval, it is anticipated that the settlement amount will be paid in fiscal 2003. It remains unclear as to what portion of the costs associated with the settlement, if any, will be the responsibility of the Company. However, in the event the Company is found to be ultimately responsible for any or all of the settlement amount, the cost will be recorded by the Company as a charge to discontinued operations.

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. With the exception of the referenced employment-related proceeding and self-insured claims, the Company has not recorded any additional liabilities for legal matters.

Note 6 – Additional Data

The following is a summary of certain financial data:

(In thousands)	August 2, 2003	February 1, 2003
Property and equipment - at cost	$1,177,324	$1,094,490
Less accumulated depreciation	600,493	562,226
Property and equipment - net	$ 576,831	$ 532,264
Other current assets:		
Accounts receivable	$ 20,939	$ 21,878
Prepaid expenses and other current assets	64,764	42,850
	$ 85,703	$ 64,728

The $21.9 million change in prepaid expenses and other current assets as of August 2, 2003 is primarily due to a change in estimated income tax payments.

Accrued liabilities:		
Salaries and wages	$ 28,752	$ 48,687
Property, payroll, and other taxes	98,048	94,642
Interest and income taxes	3,622	25,673
	$130,422	$169,002

The following analysis supplements changes in current assets and current liabilities presented in the Condensed Consolidated Statements of Cash Flows for the twenty-six weeks ended:

(In thousands)	August 2, 2003	August 3, 2002
Inventories	$(43,692)	$(99,077)
Other current assets	(20,975)	(7,582)
Accounts payable	61,469	41,232
Accrued liabilities	(38,580)	21,650
	$(41,778)	$(43,777)

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement for Purposes of “SAFE HARBOR” Provisions of the 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. The words “believe,” “anticipate,” “project,” “plan,” “expect,” “estimate,” “objective,” “forecast,” “goal,” “intend,” “will likely result,” or “will continue” and similar expressions generally identify forward-looking statements. 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 statements.

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; the Company’s ability to comply with the terms of its credit facilities (or obtain waivers for non-compliance); interest rate fluctuations; transportation and distribution delays or interruptions, including, but not limited to, the impact of the recent management lockout of the West Coast dockworkers and any ongoing work slowdown on the economy and on the Company’s ability to receive inventory; fuel price fluctuations; interruptions in suppliers’ businesses; costs and potential problems and interruptions associated with implementation of new or upgraded systems and technology; a deterioration in general economic conditions caused by acts of war or terrorism; delays associated with constructing, opening and operating new stores; and other risks described from time to time in the Company’s filings with the Securities and Exchange Commission, in its press releases, and in other communications.

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. Readers are advised, however, to consult any further disclosures the Company may make on related subjects in its Forms 10-Q, 8-K and 10-K filed with the Securities and Exchange Commission.

Recent Announcements

In conjunction with the Company's initiative to change its name to Big Lots, Inc., 434 stores were converted during the fiscal years of 2001 and 2002, 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. As of the end of fiscal 2002, all stores were operating under the Big Lots name.

In connection with this process, the Company made certain improvements to the converted sites. The improvements made varied by location and included, 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 offered numerous opportunities to increase brand awareness among customers, suppliers, investors, and the general public. The Company believes the change also allowed it to leverage television advertising and other expenses.

During the first and second quarters of fiscal 2003, the Company continued to remodel stores, making similar improvements as those made to the conversion stores which are described above. The Company completed the remodel of 211 stores, 178 were completed during the first half of fiscal 2003 and an additional 33 stores were completed through August 14, 2003. Additionally, the Company added a net of 87 furniture departments to new and existing stores and expanded the square footage allocated to furniture in 183 existing furniture departments during the first two quarters of fiscal 2003, and continued construction of its fifth distribution center in Durant, Oklahoma.

The Company continued its national television campaign that began in the first quarter of fiscal 2003 which, for the first time, covered all stores in all markets. Markets that received television coverage during fiscal 2002 will remain at their historical media target rating point levels, while new markets not previously covered will benefit from television advertising for the first time. The Company estimates that approximately 40% of stores received television advertising coverage during the first half of fiscal 2002, with approximately 60% receiving television advertising coverage during the second half of fiscal 2002. New 30-second television commercials have been produced for fiscal 2003 to build awareness and to promote the Big Lots brand.

The Company recently reached a preliminary settlement of purported class action lawsuits filed in the Superior Court of San Bernardino County, California, relating to the calculation of earned overtime wages for certain of the Company's former and current store managers and assistant store managers in that state. Each of the lawsuits was filed by plaintiffs who are current or former store managers or assistant store managers on behalf of themselves and other similarly situated store managers and assistant store managers. The lawsuits alleged that the Company improperly classified such employees as exempt under California's wage and hour laws. The recent preliminary settlement, which addresses claims dating back to 1996 and is subject to court approval, fully resolves all claims brought by the plaintiffs in these California lawsuits. Under the preliminary settlement, the Company would make a cash settlement payment of $10 million to cover claims by eligible class members, attorneys' fees and costs of the class members, cost to a third-party administrator and applicable employer payroll taxes. The Company does not expect the settlement to have a material impact on its labor costs going forward. While the settlement is still subject to final court approval, the Company believes that the liability is both probable and can be reasonably estimated.

The Company has also recently reached a preliminary agreement to settle a national class action lawsuit relating to certain advertising practices of KB Toys. The KB Toy Division was sold by the Company on December 7, 2000. The lawsuit alleged that KB Toys improperly used comparative pricing in its advertisements before and after such sale. The preliminary settlement, which is still subject to court approval, calls for the payment of certain attorneys' fees and administrative expenses, discounts to be provided to KB customers and a potential toy donation to national charities. The total value of the settlement as preliminarily approved by the court is estimated to be approximately $4.0 million. If the settlement receives final court approval, it is anticipated that the settlement amount will be paid in fiscal 2003. It remains unclear as to what portion of the costs associated with the settlement, if any, will be the responsibility of the Company. However, in the event the Company is found to be ultimately responsible for any or all of the settlement amount, the cost will be recorded by the Company as a charge to discontinued operations.

On July 31, 2003, the Revolving Credit Agreement was further amended to extend the maturity one year to May 2005, and to reduce the size of the facility from $358.75 million to $300 million to better match the facility size with the liquidity needs of the Company and minimize facility fees.

Overview

The Company is the nation's largest broadline closeout retailer. At August 2, 2003, the Company operated a total of 1,404 stores in 45 states under the names BIG LOTS and BIG LOTS FURNITURE. The Company's goal is to build upon its leadership position in broadline closeout retailing, a growing segment of the retailing industry, 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 purchasing 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, as well as the timing of remodels, television and circular advertising, and the timing of certain holidays. Furthermore, in anticipation of increased sales activity during the fourth quarter, the Company purchases a substantial amount of inventory during the third quarter 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 credit lines in the first three fiscal quarters and has substantially repaid the borrowings during the fourth fiscal quarter. During the fiscal year 2002, the Company did not begin drawing on its credit lines until the third quarter and had completely repaid these seasonal borrowings prior to the end of the fourth quarter. For fiscal year 2003, the Company does not expect to begin drawing on its seasonal credit lines until the third quarter.

The following table compares components of the Condensed Consolidated 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		Twenty-six weeks ended	
	August 2, 2003	August 3, 2002	August 2, 2003	August 3, 2002
Net sales	100.0%	100.0%	100.0%	100.0%
Gross profit	41.3	41.9	41.6	41.9
Selling and administrative expenses	42.3	40.7	41.0	39.9
Operating (loss) profit	(1.0)	1.2	0.6	2.0
Interest expense	0.4	0.6	0.5	0.5
Interest income	(0.0)	(0.0)	(0.0)	(0.0)
(Loss) income from operations before income taxes	(1.4)	0.6	0.2	1.4
Income tax (benefit) expense	(0.5)	0.2	0.1	0.6
Net (loss) income	(0.8)%	0.4%	0.1%	0.9%
Number of stores in operation at the end of the period	1,404	1,357	1,404	1,357

Results of Operations

Net Sales

Net sales increased to $949.3 million for the thirteen week period ended August 2, 2003, from $879.3 million for the thirteen week period ended August 3, 2002, an increase of $70 million, or 8.0%. This increase resulted from a comparable stores sales increase of 3.4%, with the remaining 4.6% growth driven primarily by an increase of 47 new stores year over year (net of store closings). The Company attributes its second quarter comparable store sales increase of 3.4% to an increase in the dollar value of the average transaction of 1.1% and an increase in the number of customer transactions of 2.3%. In terms of product categories, the second quarter comparable store sales increase of 3.4% was driven primarily by strong gains in hardlines, consumables, furniture, and seasonal merchandise.

Net sales increased to $1,897.7 million for the twenty-six week period ended August 2, 2003, from $1,783.4 million for the twenty-six week period ended August 3, 2002, an increase of $114.3 million, or 6.4%. This increase resulted from a comparable stores sales increase of 2.2%, with the remaining 4.2% growth driven primarily by an increase of new stores year over year (net of store closings). The Company attributes its year-to-date comparable store sales increase of 2.2% to an increase in the dollar value of the average transaction of 1.0% and an increase in the number of customer transactions of 1.2%. In terms of product categories, the year-to-date comparable store sales increase of 2.2% was driven primarily by strong gains in domestics, hardlines, furniture, consumables and seasonal merchandise.

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.

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 twenty-six week periods ended, August 2, 2003, may have resulted from several factors such as the launch of the Company's first national television advertising campaign, more productive advertising circulars, the successful re-grand opening of 434 conversion stores and 211 remodel stores since March 2001, the introduction of furniture departments in 87 additional stores, as well as the allocation of additional square footage to 183 furniture departments in existing stores, and more reliable in-stock levels on consumables products.

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 increase for all reportable periods as well as growth in customer transactions and in the value of the average transaction:

	Twenty-six weeks ended	
	August 2, 2003	August 3, 2002
Comparable store sales	2.2%	12.0%
Customer transactions	1.2%	5.7%
Value of the average transaction	1.0%	6.3%

Gross Profit

Gross profit increased $23.3 million in the second quarter of fiscal 2003 to $391.6 million from $368.3 million in the second quarter of fiscal 2002. Gross profit as a percent of net sales decreased to 41.3% in the second quarter of fiscal 2003 compared to 41.9% in the second quarter of the prior year. The gross profit decrease for the thirteen week period is principally due to markdowns related to the promotion of spring decorative merchandise. Harsh winter weather and late deliveries due to the West Coast port dispute resulted in lower than expected sales of this seasonal product in the first quarter of fiscal 2003. Consequently, the Company decided to agressively promote this category in the second quarter of fiscal 2003.

Gross profit increased $43.0 million in the first half of fiscal 2003 to $789.8 million from $746.8 million in the first half of fiscal 2002. Gross profit as a percent of net sales decreased to 41.6% in the first half of fiscal 2003 compared to 41.9% in the first half of the prior year. The gross profit decrease for the twenty-six week period is driven by product mix, primarily due to better than expected sales in lower markup categories such as consumables, as well as higher markdowns related to the promotion of spring decorative merchandise.

Selling and Administrative Expenses

Selling and administrative expenses increased $43.1 million in the second quarter of fiscal 2003 to $401.2 million from $358.1 million in the second quarter of fiscal 2002. As a percent of net sales, selling and administrative expenses increased 160 basis points to 42.3% from 40.7% in the prior year second quarter.

The second quarter 160 basis point increase in the selling and administrative expense rate over the second quarter of the prior year is primarily attributable to a $10.5 million charge to settle purported class action lawsuits in California (110 basis points) and investment spending related to 2003 business initiatives (60 basis points), partially offset by leverage across other expense categories (10 basis points). The 60 basis point increase in the selling and administrative expense rate attributable to fiscal 2003 business initiative represents expenditures on national television advertising, payroll and supplies related to store remodels, and costs associated with adding or expanding furniture departments.

Selling and administrative expenses increased $66.6 million in the first half of fiscal 2003 to $778.1 million from $711.5 million in the first half of fiscal 2002. As a percent of net sales, selling and administrative expenses increased 110 basis points to 41.0% from 39.9% in the prior year twenty-six week period.

The year-to-date 110 basis point increase in the selling and administrative expense rate over the prior year is primarily attributable to a $10.5 million charge to settle purported class action lawsuits in California (60 basis points) and investment spending related to fiscal 2003 business initiatives (60 basis points), partially offset by leverage across other expense categories (10 basis points), with supply chain efficiencies and leverage on general office expenses more than offsetting increases in health insurance and utilities expenses as a percent of sales.

Warehousing and distribution costs, which are included in Selling and Administrative Expenses (see Summary of Significant Accounting Policies in the Notes to the Condensed Consolidated Financial Statements), decreased approximately 8 basis points and 5 basis points, respectively, as a percent of net sales for both the second quarter and year-to-date periods as compared to fiscal 2002.

Interest Expense

Interest expense, including the amortization of debt issuance costs, was $3.9 million in the second quarter of fiscal 2003 compared to $5.1 million in the second quarter of fiscal 2002, and was $8.7 million for the twenty-six week period ended August 2, 2003 compared to $10.2 million for the same period of 2002. As a percent of net sales, interest expense was slightly down for both the quarter and year-to-date as compared to fiscal 2002. The fiscal 2003 interest expense primarily relates to the Senior Notes and the amortization of debt issuance costs. The decrease in interest expense for the quarter and year-to-date compared to the same period in fiscal 2002 is primarily due to the capitalization of interest expense related to construction costs for the new distribution center in Durant, Oklahoma.

Interest Income

Interest income was $0.3 million in the second quarter of fiscal 2003 compared to $0.3 million in the second quarter of fiscal 2002. Year-to-date interest income was $0.7 million compared to $0.5 million in 2002. Interest income is generated by interest earned on cash equivalents. Cash equivalents as of August 2, 2003 were $58.0 million compared to $10.5 million for the same period in fiscal 2002.

Income Taxes

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

During the second quarter of fiscal 2003, the Internal Revenue Service concluded its field examination of the Company’s 1997 through 2000 federal income tax returns, which includes the carryback of the net operating loss generated in fiscal 2000. The Company is awaiting final review of the examination and carryback by the Joint Committee on Taxation. Management believes that adequate amounts of tax and related interest have been provided for the field examination and the final review.

Capital Resources and Liquidity

On May 8, 2001, the Company entered into the 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 Prior Revolver which, at the time of its replacement, consisted of a $500 million revolving credit facility that was due to expire on May 6, 2002.

Also on May 8, 2001, the Company entered into the Senior Note Agreement pursuant to which it completed a $204 million private placement of Senior Notes. Principal maturities of long-term debt for the current and next four fiscal years are as follows:

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 exclude the non-cash fiscal 2001 fourth quarter charge from 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 fluctuates at least quarterly 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 factor.

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. On July 31, 2003, the Revolving Credit Agreement was further amended to extend the maturity one year to May, 2005, and to reduce the size of the facility from $358.75 million to $300 million to better match the facility size with the liquidity needs of the Company and minimize facility fees. The Company believes that the $300 million revolving credit facility, combined with cash provided by operations, 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.

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 August 2, 2003, was $620.2 million. Net debt (defined as long-term obligations less cash equivalents) as of August 2, 2003 was $146.0 million, down $47.5 million compared to last year. In addition, $46.8 million was outstanding in letters of credit, which reside under the Revolving Credit Agreement, and there were $58.0 million of invested funds.

Capital expenditures were $87.9 million for the twenty-six week period ended August 2, 2003, an increase of $40.6 million from the same period of fiscal 2002. Capital expenditures in fiscal 2003 were primarily driven by the construction of a new distribution facility in Durant, Oklahoma, remodeling of existing stores, and new store openings. Capital expenditures in fiscal 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 requirements in fiscal 2003 are anticipated to be approximately $160-$165 million, primarily to complete the new distribution facility in Durant, Oklahoma, invest in new store and store expansions, and remodel 211 existing Big Lots stores.

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 Condensed Consolidated Financial Statements. The Company has certain critical accounting policies and accounting estimates, which are described below.

Cash, cash equivalents and short-term investments. Cash and cash equivalents consist of highly liquid investments which are unrestricted as to withdrawal or use and which have an original maturity of three months or less. Cash equivalents are stated at cost, which approximates market value. When the intended holding period of a liquid investment exceeds three months, the Company will classify the cash equivalent as a short-term investment. The Company policy is to invest in instruments at or above investment grade.

Merchandise inventories. Merchandise inventories are 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, cooperative advertising allowances, buy down agreements, or other forms of rebates that would materially reduce its cost of sales.

Property and equipment. Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets. Service lives are principally forty years for buildings and from three to fifteen years for other property and equipment.

Impairment. 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 materially 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, if material, disclose the nature of the loss contingency and the estimated 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 shrinkage, 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.

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 the principles' 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 Condensed Consolidated Financial Statements and Notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2003, 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

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 2003 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 does not believe that a hypothetical adverse change of 10% in interest rates would have a material adverse affect on the Company's financial condition.

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, with the participation of the Company's management, have performed an evaluation of the Company's disclosure controls and procedures, as that term is defined in the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report. Based on the evaluation, which disclosed no significant deficiencies or material weaknesses, the Company's Chief Executive Officer and Chief Financial Officer have each 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*. No changes in the Company's internal controls over financial reporting occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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.

The Company held its Annual Meeting of Shareholders on May 20, 2003. At March 25, 2003, the record date, the Company had outstanding 116,631,804 common shares, $.01 par value per share. The number of common shares of the Company represented in person or by proxy and eligible to vote was 104,740,939. For more information on the following proposals voted upon by the shareholders, see the Company's proxy statement dated April 8, 2003.

(1) The shareholders elected each of the nine nominees to the Board of Directors.

Director	For	Withheld
Albert J. Bell	102,912,290	1,752,787
Sheldon M. Berman	99,305,529	5,359,548
David T. Kollat	102,929,126	1,735,951
Brenda J. Lauderback	99,318,683	5,346,394
Philip E. Mallott	102,924,079	1,740,998
Ned Mansour	102,930,314	1,734,763
Michael J. Potter	102,313,184	2,351,893
Russell Solt	102,917,673	1,747,404
Dennis B. Tishkoff	102,904,868	1,760,209

(2) The shareholders rejected the proposal to transact such other business as may properly come before the Annual Meeting of Shareholders.

For:	39,939,806
Against:	43,287,967
Broker non-votes:	21,513,166

Item 5. Other Information. Not applicable.

Item 6. Exhibits and Reports on Form 8-K.

(a) *Exhibits*.

Exhibit No.	Document
10	Fourth Amendment to Credit Agreement, dated as of July 31, 2003, by and among Big Lots Stores, Inc. (formerly Consolidated Stores Corporation), an Ohio corporation, as Borrower, the Guarantors (as defined) parties thereto, the Banks (as defined) parties thereto, and National City Bank, as Administrative Agent.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) *Reports on Form 8-K*. None

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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: September 11, 2003

By: /s/ Jeffrey G. Naylor

Jeffrey G. Naylor
Senior Vice President and
Chief Financial Officer

EXHIBIT 10

[EXECUTION COPY]

FOURTH AMENDMENT
TO CREDIT AGREEMENT

THIS FOURTH AMENDMENT TO CREDIT AGREEMENT (the **"Amendment"**), dated as of July 31, 2003, is made by and among Big Lots Stores, Inc., an Ohio corporation (formerly known as Consolidated Stores Corporation) (the **"Borrower"**), each of the Guarantors (as defined in the Credit Agreement defined below), the Banks (as defined in the Credit Agreement defined below), National City Bank in its capacity as administrative agent for the Banks under the Credit Agreement (the **"Administrative Agent"**) and as Lead Arranger and a Managing Agent, Fleet National Bank, as Syndication Agent and a Managing Agent, PNC Bank, National Association and Wachovia Bank, National Association (formerly, First Union National Bank), as Documentation Agents and Managing Agents, and Bank of America, N.A., The Bank of New York, and U.S. Bank National Association (formerly known as Firstar Bank, N.A.), as Managing Agents.

W I T N E S S E T H:

WHEREAS, the parties hereto are parties to that Credit Agreement, dated as of May 8, 2001, as amended by that First Amendment to Credit Agreement, dated as of October 20, 2001, that Second Amendment to Credit Agreement, dated as of February 25, 2002, and that Third Amendment to Credit Agreement, dated as of April 30, 2002 (as so amended, the **"Credit Agreement"**), and desire to amend various terms thereof as set forth herein;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth and incorporating the above-defined terms herein and intending to be legally bound hereby, the parties hereto agree as follows:

1. *Defined Terms; References*. Terms not otherwise defined in this Amendment shall have the respective meanings ascribed to them in the Credit Agreement. Each reference to "hereof," "hereunder," "herein," "hereby," and similar references contained in the Credit Agreement, and each reference to "this Agreement" and similar references contained in the Credit Agreement, shall refer to the Credit Agreement as and to the extent amended hereby.

2. *Amendment of Credit Agreement*.

(a) Recitals. Notwithstanding anything to the contrary set forth in the first paragraph of the recitals to the Credit Agreement, the parties hereto acknowledge and agree that (i) the 364-Day Loan Commitments have, by the terms of the Credit Agreement, expired, and (ii) Borrower has voluntarily reduced the Revolving Credit Commitments, pursuant to Section 4.5.1 of the Credit Agreement, to an aggregate principal amount equal to $300,000,000.

(b) Commitments. For the avoidance of doubt, Schedule 1.1(B) to this Amendment reflects as of the date hereof the respective Commitment of each of the Banks and the addresses for notices with respect to the parties hereto; and, Schedule 1.1(B) to this Amendment hereby amends and restates in its entirety Schedule 1.1(B) to the Credit Agreement.

(c) Capital Expenditures and Capital Leases. Section 7.2.18 of the Credit Agreement is hereby amended as follows for the periods set forth directly below in such amended section:

"7.2.18 Capital Expenditures and Capital Leases.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, make any payments in any fiscal year on account of the purchase or lease of any assets which if purchased would constitute fixed assets or which if leased would constitute a capitalized lease exceeding the amount set forth in the grid below for the periods specified in such grid (and no unused amount from any period shall be permitted to be carried over to or otherwise utilized in any succeeding period).

Fiscal Year Ending (Nearest)	Maximum Amount of Capital Expenditures
January 31, 2004	$185,000,000
January 31, 2005	$175,000,000
And	
For that portion of the Fiscal Year Commencing (Nearest) February 1, 2005, and Continuing through the Revolving Credit Expiration Date	$50,000,000"

(d) Quarterly Financial Reporting. Borrower reaffirms Section 7.3.1 of the Credit Agreement [Quarterly Financial Statements]; and, Section 7.3.10 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"7.3.10 Quarterly Internally Prepared Financial Statements.

As soon as available and in any event within thirty (30) calendar days after the end of each fiscal quarter in each fiscal year, financial statements of the Company, consisting of a consolidated balance sheet as of the end of such quarter and related consolidated statements of income, stockholders' equity and cash flows for the quarter then ended and the fiscal year through that date, all in reasonable detail and certified (subject to normal year-end audit adjustments and any applicable quarter-end adjustments reflected in the statements provided pursuant to Section 7.3.1) by the Chief Executive Officer, President or Chief Financial Officer of the Borrower as having been prepared in accordance with GAAP, consistently applied, and setting forth in comparative form the respective financial statements for the corresponding date and period in the previous fiscal year."

(e) Quarterly Borrowing Base Certificate. Section 7.3.9 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"7.3.9 Quarterly Borrowing Base Certificate.

On or before the thirtieth (30th) calendar day after the end of each fiscal quarter of the Company (i) a Borrowing Base Certificate as of the last day of the immediately prior fiscal quarter, and (ii) such further certificates, reports, agings, documents, and information as Administrative Agent may reasonably require. In addition, Borrower may elect to furnish at its option one or more Borrowing Base Certificates more frequently than required by this Section 7.3.9 (and such optional Borrowing Base Certificates furnished in compliance with this sentence shall be deemed to be delivered pursuant to this Section 7.3.9 for the purposes of Section 2.12 and other provisions of this Credit Agreement), provided that in no event without the written consent of the Administrative Agent may Borrower elect to furnish any such optional Borrowing Base Certificate (x) within thirty (30) days before or after the delivery of a Borrowing Base Certificate required to be delivered pursuant to this Section 7.3.9 or (y) more frequently than once during any thirty (30) consecutive day period."

(f) Expiration. The definition of Revolving Credit Expiration Date as set forth in the Credit Agreement is hereby amended and restated in its entirety as follows:

"Revolving Credit Expiration Date shall mean, with respect to the Revolving Credit Commitments, May 8, 2005."

(g) Additional Representation and Warranty. The following representation and warranty is added to Section 5 of the Credit Agreement:

"5.1.25 Tax Regulations.

No Loan Party intends to treat any of the Loans or Letters of Credit, or any related transactions contemplated by this Agreement, as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4)."

(h) Confidentiality. The following Clause (vi) is added to Section 10.12.1 immediately before the period at the end of the last sentence thereof:

", or (vi) with respect to the "tax treatment" or "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4, as amended from time to time) of any Loans or Letters of Credit or related transactions and all materials of any kind (including opinions or other tax analyses) that are provided to the Administrative Agent or any Bank relating to such tax treatment or tax structure, if Treasury Regulation Section 1.6011-4, as amended from time to time, is deemed to apply to any of the Loans or the Letters of Credit or any related transactions contemplated by this Agreement, and provided that with respect to any document or similar item that in either case contains information concerning the tax treatment or tax structure of the transaction as well as other information, the exception in this Clause (vi) shall apply only to such portions of the document or similar item that relate to the tax treatment or tax structure of the Loans, the Letters of Credit, and the transactions contemplated thereby.

3. *Representations and Warranties*. Each of the Loan Parties hereby represents and warrants to the Banks, after giving effect to this Amendment, as follows:

(a) The execution and delivery by the Loan Parties of this Amendment have been duly authorized by all necessary corporate or company, as the case may be, proceedings on the part of each Loan Party; on the date of Borrower's execution hereof, there are no set-offs, claims, defenses, counterclaims, causes of action, or deductions of any nature against any of the Obligations; and

(b) After giving effect to the amendments made herein: (i) no Event of Default under and as defined in the Credit Agreement has occurred and is continuing, and (ii) the representations and warranties of each of Borrower and the other Loan Parties contained in the Credit Agreement and the other Loan Documents are true and correct on and as of the date hereof with the same force and effect as though made on such date, except to the extent that any such representation or warranty expressly relates solely to a previous date.

4. *Effectiveness of Amendments*.

(a) With respect to Clauses (a) through (e) of Section 2 above, this Amendment shall become effective as of the date hereof upon receipt by the Administrative Agent from each of Borrower, the Loan Parties, and the Required Banks of a counterpart hereof signed by such party or facsimile or other written confirmation (in form satisfactory to Administrative Agent) that such party has signed a counterpart hereof.

(b) With respect to Clause (f) of Section 2 above, this Amendment shall become effective as of the date hereof upon receipt by the Administrative Agent from each of Borrower, the Loan Parties, and each of the Banks of a counterpart hereof signed by such party or facsimile or other written confirmation (in form satisfactory to Administrative Agent) that such party has signed a counterpart hereof.

(c) Upon and to the extent of the effectiveness hereof, the Credit Agreement shall be amended hereby in accordance with the terms hereof, and this Amendment and the Credit Agreement shall hereafter be one agreement and any reference to the Credit Agreement in any document, instrument, or agreement shall hereafter mean and include the Credit Agreement as amended hereby. In the event of irreconcilable inconsistency between the terms or provisions hereof and the terms or provisions of the Credit Agreement, the terms and provisions hereof shall control. Except as specifically amended by the provisions hereof, the Credit Agreement and all other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed by the parties hereto. Each Bank, by its execution hereof, hereby consents to this Amendment pursuant to the Credit Agreement.

5. *Joinder of Guarantors*. Each of the Guarantors hereby joins in this Amendment to evidence its consent hereto, and each Guarantor hereby reaffirms its obligations set forth in the Credit Agreement, as hereby amended, and in each Guaranty Agreement and each other Loan Document given by it in connection therewith.

6. *Governing Law*. This Amendment shall be deemed to be a contract under the laws of the State of Ohio and for all purposes shall be governed by and construed and enforced in accordance with the internal laws of the State of Ohio without regard to its conflict of laws principles.

7. *Counterparts; Telecopy*. This Amendment may be signed in any number of counterparts each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of executed signature pages by facsimile transmission will constitute effective and binding execution and delivery.

[SIGNATURE PAGES FOLLOW]

[SIGNATURE PAGE 1 OF 20 TO FOURTH AMENDMENT]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have caused this Amendment to be executed and delivered as of the day and year first above written.

BORROWER:

BIG LOTS STORES, INC. (formerly CONSOLIDATED STORES CORPORATION, an Ohio corporation)

By: /s/ Jeffrey G. Naylor

Name: Jeffrey G. Naylor
Title: Sr. Vice President, CFO

GUARANTORS:

BIG LOTS, INC., an Ohio corporation (formerly CONSOLIDATED STORES CORPORATION, a Delaware corporation)

By: /s/ Jeffrey G. Naylor

Title: Sr. Vice President, CFO

MAC FRUGAL'S BARGAINS • CLOSE-OUTS, INC., a Delaware corporation

By: /s/ Jeffrey G. Naylor

Title: Sr. Vice President, CFO

CAPITAL RETAIL SYSTEMS, INC., an Ohio corporation

By: /s/ Jeffrey G. Naylor

Title: Sr. Vice President, CFO

PNS STORES, INC., a California corporation

By: /s/ Jeffrey G. Naylor

Title: Sr. Vice President, CFO

WEST COAST LIQUIDATORS, INC., a California corporation

By: /s/ Jeffrey G. Naylor

Title: Sr. Vice President, CFO

C.S. ROSS COMPANY, an Ohio corporation

By: /s/ Jeffrey G. Naylor

Title: Sr. Vice President, CFO

CSC DISTRIBUTION, INC., an Alabama corporation

By: /s/ Jeffrey G. Naylor

Title: Sr. Vice President, CFO

CLOSEOUT DISTRIBUTION, INC., a Pennsylvania corporation

By: /s/ Jeffrey G. Naylor

Title: Sr. Vice President, CFO

INDUSTRIAL PRODUCTS OF NEW ENGLAND, INC., a Maine corporation

By: /s/ Jeffrey G. Naylor

Title: Sr. Vice President, CFO

TOOL AND SUPPLY COMPANY OF NEW ENGLAND, INC., a Delaware corporation

By: /s/ Jeffrey G. Naylor

Title: Sr. Vice President, CFO

MIDWESTERN HOME PRODUCTS, INC., a Delaware corporation

By: /s/ Jeffrey G. Naylor

Title: Sr. Vice President, CFO

MIDWESTERN HOME PRODUCTS COMPANY, LTD., an Ohio corporation

By: /s/ Jeffrey G. Naylor

Title: Sr. Vice President, CFO

CONSOLIDATED PROPERTY HOLDINGS, INC., a Nevada corporation

By: /s/ Jeffrey G. Naylor

Title: Sr. Vice President, CFO

GREAT BASIN LLC, a Delaware limited liability company

By: /s/ Jeffrey G. Naylor

Title: Sr. Vice President, CFO

SONORAN LLC, a Delaware limited liability company

By: /s/ Jeffrey G. Naylor

Title: Sr. Vice President, CFO

SAHARA LLC, a Delaware limited liability company

By: /s/ Jeffrey G. Naylor

Title: Sr. Vice President, CFO

DURANT DC, LLC (formerly DDC, LLC), a Delaware limited liability company

By: /s/ Jeffrey G. Naylor

Title: Sr. Vice President, CFO

ADMINISTRATIVE AGENT:

NATIONAL CITY BANK, individually and as Administrative Agent, Lead Arranger and Managing Agent

By: /s/ Ralph A. Kaparos

Name: Ralph A. Kaparos
Title: Senior Vice President

SYNDICATION AGENT:

FLEET NATIONAL BANK, individually and as Syndication Agent and a Managing Agent

By: /s/ Judith C.E. Kelly

Name: Judith C.E. Kelly
Title: Managing Director

OTHER AGENTS:

WACHOVIA BANK, NATIONAL ASSOCIATION (formerly, FIRST UNION NATIONAL BANK), individually and as Documentation Agent and a Managing Agent

By: /s/ William F. Fox

Name: William F. Fox
Title: Vice President

PNC BANK, NATIONAL ASSOCIATION, individually and as a Documentation Agent and a Managing Agent

By: /s/ Bruce A. Kintner

Name: Bruce A. Kintner
Title: Vice President

[SIGNATURE PAGE 10 OF 20 TO FOURTH AMENDMENT]

BANK OF AMERICA, N.A., individually and as a Managing Agent

By: /s/ Temple Abney

Name: Temple Abney
Title: Vice President

[SIGNATURE PAGE 11 OF 20 TO FOURTH AMENDMENT]

THE BANK OF NEW YORK, individually and as a Managing Agent

By: /s/ William M. Barnum

Name: William M. Barnum
Title: Vice President
(212) 635-1019

U.S. BANK NATIONAL ASSOCIATION (formerly FIRSTAR BANK, N.A.), individually and as a Managing Agent

By: /s/ Thomas L. Bayer

Name: Thomas L. Bayer
Title: Vice President

OTHER BANKS:

GUARANTY BANK

By: /s/ Scott L. Brewer

Name: Scott L. Brewer
Title: VP

[SIGNATURE PAGE 14 OF 20 TO FOURTH AMENDMENT]

HIBERNIA NATIONAL BANK

By: /s/ Laura Watts

Name: Laura Watts
Title: Vice President, Portfolio Manager

[SIGNATURE PAGE 15 OF 20 TO FOURTH AMENDMENT]

LASALLE BANK NATIONAL ASSOCIATION

By: /s/ David Bacon

Name: David Bacon
Title: AVP

THE FIFTH THIRD BANK, CENTRAL OHIO

By: /s/ Kim Dennis

Name: Kim Dennis
Title: Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Steven M. Buehler

Name: Steven M. Buehler
Title: Vice President

By: /s/ Mary D. Falck

Name: Mary D. Falck
Title: Senior Vice President

THE HUNTINGTON NATIONAL BANK

By: /s/ Mark A. Koscielski

Name: Mark A. Koscielski
Title: Vice President

[SIGNATURE PAGE 19 OF 20 TO FOURTH AMENDMENT]

SOUTHTRUST BANK

By: /s/ Jon R. Hauseman

Name: Jon R. Hauseman
Title: Group Vice President

[SIGNATURE PAGE 20 OF 20 TO FOURTH AMENDMENT]

HSBC BANK USA

By: /s/ Douglas D. Smith

Name: Douglas D. Smith
Title: Vice President

SCHEDULE 1.1(B)

COMMITMENTS OF BANKS AND ADDRESSES FOR NOTICES

Part 1 — Commitments of Banks and Addresses for Notices to Banks

Bank	Commitment; Amount of Commitment for Revolving Credit Loans	Ratable Share; Revolving Credit Ratable Share
National City Bank 155 East Broad Street Columbus, OH 43251-0034 Attention: Ralph A. Kaparos Telecopy. 614-463-6770 or 8572 Telephone No. 614-463-7296	$43,902,439.02	14.6341463400%
PNC Bank, National Association 201 East Fifth Street, 3rd floor Cincinnati, Ohio 45202-4163 Attention: C. Joseph Richardson Telephone: 513-651-8688 Telecopy: 513-651-8951	$35,121,951.22	11.7073170733%
The Bank of New York One Wall Street, 8th Floor New York, NY 10286 Attention: William Barnum Telephone: 212-635-1019 Telecopy: 212-635-1483	$24,250,871.08	8.0836236933%
Wachovia Bank, National Association **(formerly First Union National Bank)** 1 South Penn Square 12th floor Widener Building PA 4830 Philadelphia, PA 19107 Attention: Susan Vitale Telephone: 215-973-8347 Telecopy: 215-973-1887	$23,414,634.15	7.8048780500%
U.S. Bank National Association **(formerly Firstar Bank, N.A.)** 7th & Washington St. Louis, MO 63101 Attention: Thomas Bayer Telephone: 314-418-3993 Telecopy: 314-418-1963	$29,268,292.68	9.7560975600%

Bank	**Commitment; Amount of Commitment for Revolving Credit Loans**	**Ratable Share; Revolving Credit Ratable Share**
Fleet National Bank Mail Stop: MA OF D071 One Federal Street Boston, MA 02110-2010 Attention: Judy C.E. Kelly Telephone: 617-434-5280 Telecopy: 617-434-6685	$29,268,292.68	9.7560975600%
Bank of America, N.A. 901 Main Street, 67th floor Dallas, TX 75202 Attention: Amy Krovocheck Telephone: 214-209-0193 Telecopy: 214-209-0980	$15,052,264.81	5.0174216033%
The Huntington National Bank 41 S. High Street, HC0810 Columbus, OH 43287 Attention: Mark Koscielski Telephone: 614-480-4841 Telecopy: 614-480-4814	$14,634,146.34	4.8780487800%
SouthTrust Bank One Georgia Center 600 West Peachtree Street, 27th floor Atlanta, Georgia 30308 Attention: Jon Hauseman Telephone: 404-853-5778 Telecopy: 404-853-5766	$14,634,146.34	4.8780487800%
Wells Fargo Bank, National Association 230 West Monroe Street, Suite 2900 Chicago, Illinois 60606 Attention: Scott Miller Telephone: 312-845-4522 Telecopy: 312-553-4783	$14,634,146.34	4.8780487800%
The Fifth Third Bank, Central Ohio 21 East State Street, 7th floor Columbus, OH 43215 Attention: Ted Lape Telephone: 614-233-3982 Telecopy: 614-341-2606	$15,888,501.74	5.2961672467%

Bank	**Commitment; Amount of Commitment for Revolving Credit Loans**	**Ratable Share; Revolving Credit Ratable Share**
Guaranty Bank 333 Clay Street, Suite 4430 Houston, TX 77002 Attention: Scott Brewer Telephone: 713-890-8859 Telecopy: 713-859-0765	$11,707,317.07	3.9024390233%
LaSalle Bank National Association 135 South LaSalle Street, Suite 1152 Chicago, Illinois 60603 Attention: Chip Campbell Telephone: 312-904-4497 Telecopy: 312-904-0409	$16,097,560.98	5.3658536600%
Hibernia National Bank 313 Carondlet Street 6th Floor New Orleans, LA 70130 Attention: Lloyd Drumm Telephone: 504-533-2263 Telecopy: 504-533-5344	$6,271,777.00	2.0905923333%
HSBC Bank USA One HSBC Center Buffalo, NY 14203 Attention: Douglas D. Smith Telephone: 716-841-7411 Telecopy: 716-841-6782	$5,853,658.54	1.9512195133%
TOTAL:	$300,000,000.00	100.0000000000%

Part II — Address for Notices to Borrower and Guarantors

Big Lots Stores, Inc.
300 Phillipi Road
Columbus, Ohio 43228-5311
Attn.: Jeffrey G. Naylor, Sr. Vice President & CFO

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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-1(e) and 15d-15(e)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: September 11, 2003

By: /s/ Michael J. Potter

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

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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-1(e) and 15d-15(e)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: September 11, 2003

By: /s/ Jeffrey G. Naylor

Jeffrey G. Naylor
Senior Vice President and
Chief Financial Officer

EXHIBIT 32.1

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 August 2, 2003 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: September 11, 2003

/s/ Michael J. Potter

Michael J. Potter

EXHIBIT 32.2

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 August 2, 2003 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: September 11, 2003

/s/ Jeffrey G. Naylor

Jeffrey G. Naylor