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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended November 3, 2017

Commission File Number: 001-11421

**DOLLAR GENERAL CORPORATION**

(Exact name of Registrant as specified in its charter)

**TENNESSEE**  
(State or other jurisdiction of  
incorporation or organization)

**61-0502302**  
(I.R.S. Employer  
Identification No.)

**100 MISSION RIDGE  
GOODLETTSVILLE, TN 37072**  
(Address of principal executive offices, zip code)

Registrant's telephone number, including area code: **(615) 855-4000**

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  No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer   
(Do not check if a smaller reporting company)

Accelerated filer   
Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The registrant had 271,563,597 shares of common stock outstanding on December 1, 2017.

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**PART I—FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS.**

**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
*(In thousands)*

	<b>November 3,</b>	<b>February 3,</b>
	<b>2017</b>	<b>2017</b>
	<b>(Unaudited)</b>	<b>(see Note 1)</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 226,192	\$ 187,915
Merchandise inventories	3,597,195	3,258,785
Income taxes receivable	99,678	11,050
Prepaid expenses and other current assets	230,269	220,021
Total current assets	<u>4,153,334</u>	<u>3,677,771</u>
Net property and equipment	2,654,936	2,434,456
Goodwill	4,338,589	4,338,589
Other intangible assets, net	1,200,481	1,200,659
Other assets, net	27,416	20,823
Total assets	<u>\$ 12,374,756</u>	<u>\$ 11,672,298</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term obligations	\$ 401,532	\$ 500,950
Accounts payable	1,978,032	1,557,596
Accrued expenses and other	553,596	500,866
Income taxes payable	4,646	63,393
Total current liabilities	<u>2,937,806</u>	<u>2,622,805</u>
Long-term obligations	2,719,568	2,710,576
Deferred income taxes	690,795	652,841
Other liabilities	282,432	279,782
Commitments and contingencies		
Shareholders' equity:		
Preferred stock	—	—
Common stock	237,598	240,811
Additional paid-in capital	3,176,406	3,154,606
Retained earnings	2,334,534	2,015,867
Accumulated other comprehensive loss	(4,383)	(4,990)
Total shareholders' equity	<u>5,744,155</u>	<u>5,406,294</u>
Total liabilities and shareholders' equity	<u>\$ 12,374,756</u>	<u>\$ 11,672,298</u>

*See notes to condensed consolidated financial statements.*

**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(Unaudited)

*(In thousands, except per share amounts)*

	For the 13 weeks ended		For the 39 weeks ended	
	November 3, 2017	October 28, 2016	November 3, 2017	October 28, 2016
Net sales	\$ 5,903,606	\$ 5,320,029	\$ 17,341,536	\$ 15,977,352
Cost of goods sold	4,137,150	3,732,519	12,085,575	11,095,461
Gross profit	1,766,456	1,587,510	5,255,961	4,881,891
Selling, general and administrative expenses	1,349,025	1,194,519	3,871,589	3,499,060
Operating profit	417,431	392,991	1,384,372	1,382,831
Interest expense	23,995	23,877	72,747	72,310
Other (income) expense	—	—	3,502	—
Income before income taxes	393,436	369,114	1,308,123	1,310,521
Income tax expense	140,903	133,799	481,318	473,564
Net income	<u>\$ 252,533</u>	<u>\$ 235,315</u>	<u>\$ 826,805</u>	<u>\$ 836,957</u>
Earnings per share:				
Basic	\$ 0.93	\$ 0.84	\$ 3.02	\$ 2.96
Diluted	\$ 0.93	\$ 0.84	\$ 3.02	\$ 2.95
Weighted average shares outstanding:				
Basic	272,319	280,441	273,567	283,152
Diluted	272,881	281,283	274,076	284,126
Dividends per share	\$ 0.26	\$ 0.25	\$ 0.78	\$ 0.75

*See notes to condensed consolidated financial statements.*

**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Unaudited)  
(In thousands)

	<u>For the 13 weeks ended</u>		<u>For the 39 weeks ended</u>	
	<u>November 3, 2017</u>	<u>October 28, 2016</u>	<u>November 3, 2017</u>	<u>October 28, 2016</u>
Net income	\$ 252,533	\$ 235,315	\$ 826,805	\$ 836,957
Unrealized net gain (loss) on hedged transactions, net of related income tax expense (benefit) of \$128, \$129, \$381 and \$387, respectively	201	200	607	601
Comprehensive income	<u>\$ 252,734</u>	<u>\$ 235,515</u>	<u>\$ 827,412</u>	<u>\$ 837,558</u>

*See notes to condensed consolidated financial statements.*

**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)  
(In thousands)

	<b>For the 39 weeks ended</b>	
	<b>November 3, 2017</b>	<b>October 28, 2016</b>
<i>Cash flows from operating activities:</i>		
Net income	\$ 826,805	\$ 836,957
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	298,571	282,386
Deferred income taxes	37,573	(3,207)
Loss on debt retirement	3,502	—
Noncash share-based compensation	24,948	27,676
Other noncash (gains) and losses	12,787	1,935
Change in operating assets and liabilities:		
Merchandise inventories	(340,090)	(405,456)
Prepaid expenses and other current assets	(15,198)	(30,471)
Accounts payable	384,101	439,259
Accrued expenses and other liabilities	58,901	50,683
Income taxes	(147,375)	(74,892)
Other	(1,645)	(456)
Net cash provided by (used in) operating activities	<u>1,142,880</u>	<u>1,124,414</u>
<i>Cash flows from investing activities:</i>		
Purchases of property and equipment	(488,616)	(405,899)
Proceeds from sales of property and equipment	1,005	4,333
Net cash provided by (used in) investing activities	<u>(487,611)</u>	<u>(401,566)</u>
<i>Cash flows from financing activities:</i>		
Issuance of long-term obligations	599,556	—
Repayments of long-term obligations	(751,927)	(1,302)
Net increase (decrease) in commercial paper outstanding	59,400	453,000
Borrowings under revolving credit facilities	—	1,584,000
Repayments of borrowings under revolving credit facilities	—	(1,835,000)
Costs associated with issuance and retirement of debt	(9,524)	—
Repurchases of common stock	(298,735)	(679,416)
Payments of cash dividends	(212,934)	(212,249)
Other equity and related transactions	(2,828)	10,408
Net cash provided by (used in) financing activities	<u>(616,992)</u>	<u>(680,559)</u>
Net increase (decrease) in cash and cash equivalents	38,277	42,289
Cash and cash equivalents, beginning of period	187,915	157,947
Cash and cash equivalents, end of period	<u>\$ 226,192</u>	<u>\$ 200,236</u>
<i>Supplemental schedule of noncash investing and financing activities:</i>		
Purchases of property and equipment awaiting processing for payment, included in Accounts payable	\$ 75,249	\$ 46,647

See notes to condensed consolidated financial statements.

**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**

**1. Basis of presentation**

The accompanying unaudited condensed consolidated financial statements of Dollar General Corporation and its subsidiaries (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and are presented in accordance with the requirements of Form 10-Q and Rule 10-01 of Regulation S-X. Such financial statements consequently do not include all of the disclosures normally required by U.S. GAAP for annual financial statements or those normally made in the Company's Annual Report on Form 10-K, including the condensed consolidated balance sheet as of February 3, 2017 which was derived from the audited consolidated financial statements at that date. Accordingly, readers of this Quarterly Report on Form 10-Q should refer to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2017 for additional information.

The Company's fiscal year ends on the Friday closest to January 31. Unless the context requires otherwise, references to years contained herein pertain to the Company's fiscal year. The Company's 2017 fiscal year is scheduled to be a 52-week accounting period ending on February 2, 2018, and the 2016 fiscal year was a 53-week accounting period that ended on February 3, 2017.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the Company's customary accounting practices. In management's opinion, all adjustments (which are of a normal recurring nature) necessary for a fair presentation of the consolidated financial position as of November 3, 2017 and results of operations for the 13-week and 39-week accounting periods ended November 3, 2017 and October 28, 2016 have been made.

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Because the Company's business is moderately seasonal, the results for interim periods are not necessarily indicative of the results to be expected for the entire year.

The Company uses the last-in, first-out ("LIFO") method of valuing inventory. An actual valuation of inventory under the LIFO method is made at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels, sales for the year and the expected rate of inflation or deflation for the year. The interim LIFO calculations are subject to adjustment in the final year-end LIFO inventory valuation. The Company recorded a LIFO provision (benefit) of \$0.5 million and \$(3.8) million in the respective 13-week periods, and \$0.8 million and \$(8.1) million in the respective 39-week periods, ended November 3, 2017 and October 28, 2016. In addition, ongoing estimates of inventory shrinkage and initial markups and markdowns are included in the interim cost of goods sold calculation.

In May 2014, the Financial Accounting Standards Board ("FASB") issued comprehensive new accounting standards related to the recognition of revenue, which specified an effective date for annual reporting periods beginning after December 15, 2016, with early adoption not permitted. In August 2015, the FASB deferred the effective date to annual reporting periods beginning after December 15, 2017, with earlier adoption permitted only for annual reporting periods beginning after December 15, 2016. The new guidance allows companies to use either a full retrospective or a modified retrospective approach in the adoption of this guidance. The Company formed a project team to assess and implement the standard by compiling a list of the applicable revenue streams, evaluating relevant contracts and comparing the Company's current accounting policies to the new standard. As a result of the efforts of this project team, the Company has identified customer incentives and gross versus net considerations as the areas in which it would most likely be affected by the new guidance. The Company is continuing to assess all the impacts of the new standard and the design of internal control over financial reporting, but based upon the terms of the Company's agreements and an evaluation of the materiality of these transactions related to customer incentives and gross versus net considerations, the Company does not expect the adoption to have a material effect on the Company's consolidated results of operations,

financial position or cash flows. The Company currently expects to complete this work in 2017 and to adopt this guidance on February 3, 2018 using the modified retrospective approach.

In February 2016, the FASB issued new guidance related to lease accounting, which when effective will require a dual approach for lessee accounting under which a lessee will account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use asset and a corresponding lease liability on its balance sheet, with differing methodology for income statement recognition. This guidance is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2018, and early adoption is permitted. A modified retrospective approach is required for all leases existing or entered into after the beginning of the earliest comparative period in the consolidated financial statements. The Company is currently assessing the impact that adoption of this guidance will have on its consolidated financial statements. Specifically, the Company has formed a project team that is developing test plans for its lease accounting system, identifying and evaluating existing contracts for embedded leases, and discussing implementation plans with its lease accounting software vendor, among other activities. The Company anticipates a material impact to its consolidated financial statements as it is party to a significant number of lease contracts.

In October 2016, the FASB issued amendments to existing guidance related to accounting for intra-entity transfers of assets other than inventory. These amendments require an entity to recognize the income tax consequences of such transfers when the transfer occurs and affects the Company's historical accounting for intra-entity transfers of certain intangible assets. This guidance is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2017, and early adoption is permitted subject to certain guidelines. The amendments should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company is assessing the impact that adoption of this guidance will have on its consolidated financial statements, and currently expects such adoption would result in an increase in deferred income tax liabilities and a decrease in retained earnings of approximately \$32 million to \$36 million under existing tax legislation.

## 2. Earnings per share

Earnings per share is computed as follows (in thousands, except per share data):

	13 Weeks Ended November 3, 2017			13 Weeks Ended October 28, 2016		
	Net Income	Weighted Average Shares	Per Share Amount	Net Income	Weighted Average Shares	Per Share Amount
Basic earnings per share	\$ 252,533	272,319	\$ 0.93	\$ 235,315	280,441	\$ 0.84
Effect of dilutive share-based awards		562			842	
Diluted earnings per share	\$ 252,533	272,881	\$ 0.93	\$ 235,315	281,283	\$ 0.84

  

	39 Weeks Ended November 3, 2017			39 Weeks Ended October 28, 2016		
	Net Income	Weighted Average Shares	Per Share Amount	Net Income	Weighted Average Shares	Per Share Amount
Basic earnings per share	\$ 826,805	273,567	\$ 3.02	\$ 836,957	283,152	\$ 2.96
Effect of dilutive share-based awards		509			974	
Diluted earnings per share	\$ 826,805	274,076	\$ 3.02	\$ 836,957	284,126	\$ 2.95

Basic earnings per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is determined based on the dilutive effect of share-based awards using the treasury stock method.

Share-based awards that were outstanding at the end of the respective periods, but were not included in the computation of diluted earnings per share because the effect of exercising such awards would be antidilutive, were 2.5 million and 1.9 million in the respective 2017 and 2016 13-week periods, and 2.6 million and 1.6 million in the respective 2017 and 2016 39-week periods.

### 3. Income taxes

Under the accounting standards for income taxes, the asset and liability method is used for computing the future income tax consequences of events that have been recognized in the Company's consolidated financial statements or income tax returns.

Income tax reserves are determined using the methodology established by accounting standards for income taxes which require companies to assess each income tax position taken using the following two-step approach. A determination is first made as to whether it is more likely than not that the position will be sustained, based upon the technical merits, upon examination by the taxing authorities. If the tax position is expected to meet the more likely than not criteria, the benefit recorded for the tax position equals the largest amount that is greater than 50% likely to be realized upon ultimate settlement of the respective tax position.

The Company's 2013 and earlier tax years are not open for further examination by the Internal Revenue Service ("IRS"). The IRS, at its discretion, may choose to examine the Company's 2014 through 2016 fiscal year income tax filings. The Company has various state income tax examinations that are currently in progress. Generally, the Company's 2012 and later tax years remain open for examination by the various state taxing authorities.

As of November 3, 2017, the total reserves for uncertain tax benefits, interest expense related to income taxes and potential income tax penalties were \$1.3 million, \$0.8 million and \$0.8 million, respectively, for a total of \$2.9 million. This total amount is reflected in noncurrent Other liabilities in the condensed consolidated balance sheet.

The Company believes it is reasonably possible that the reserve for uncertain tax positions may be reduced by approximately \$0.3 million in the coming twelve months principally as a result of the effective settlement of uncertain tax positions. As of November 3, 2017, approximately \$1.3 million of the reserve for uncertain tax positions would impact the Company's effective income tax rate if the Company were to recognize the tax benefit for these positions.

The effective income tax rates for each of the 13-week and 39-week periods ended November 3, 2017 were 35.8% and 36.8%, respectively, compared to rates of 36.2% and 36.1%, respectively, for the 13-week and 39-week periods ended October 28, 2016. The tax rate for the 2017 13-week period was lower than the 13-week comparable 2016 period primarily due to the recognition of greater federal Work Opportunity Tax Credits in the 2017 period. The tax rate for the 2017 39-week period was higher than the comparable 2016 period primarily due to recognition of a tax benefit in the 2016 period associated with stock based compensation that did not reoccur, to the same extent, in the 2017 period.

### 4. Current and long-term obligations

Current and long-term obligations consist of the following:

<u>(In thousands)</u>	<u>November 3,</u> <u>2017</u>	<u>February 3,</u> <u>2017</u>
Senior unsecured credit facilities		
Term Facility	\$ 175,000	\$ 425,000
Revolving Facility	—	—
4.125% Senior Notes due July 15, 2017	—	500,000
1.875% Senior Notes due April 15, 2018 (net of discount of \$40 and \$111)	399,960	399,889
3.250% Senior Notes due April 15, 2023 (net of discount of \$1,380 and \$1,552)	898,620	898,448
4.150% Senior Notes due November 1, 2025 (net of discount of \$649 and \$700)	499,351	499,300
3.875% Senior Notes due April 15, 2027 (net of discount of \$423)	599,577	—
Unsecured commercial paper notes	549,900	490,500
Capital lease obligations	8,261	3,643
Tax increment financing due February 1, 2035	7,765	8,840
Debt issuance costs, net	(17,334)	(14,094)
	<u>3,121,100</u>	<u>3,211,526</u>
Less: current portion	(401,532)	(500,950)
Long-term portion	<u>\$ 2,719,568</u>	<u>\$ 2,710,576</u>



On February 22, 2017, the Company entered into an unsecured amended and restated credit agreement for a \$175.0 million senior unsecured term loan facility (the "Term Facility") and a \$1.25 billion senior unsecured revolving credit facility (the "Revolving Facility") (collectively, the "Facilities") that provides for the issuance of letters of credit up to \$175.0 million. The Term Facility is scheduled to mature on October 20, 2020, and the Revolving Facility is scheduled to mature on February 22, 2022.

Borrowings under the Facilities bear interest at a rate equal to an applicable interest rate margin plus, at the Company's option, either (a) LIBOR or (b) a base rate (which is usually equal to the prime rate). The applicable interest rate margin for borrowings as of November 3, 2017 was 1.10% for LIBOR borrowings and 0.10% for base-rate borrowings. The Company is also required to pay a facility fee, payable on any used and unused commitment amounts of the Facilities, and customary fees on letters of credit issued under the Revolving Facility. As of November 3, 2017, the commitment fee rate was 0.15%. The applicable interest rate margins for borrowings, the facility fees and the letter of credit fees under the Facilities are subject to adjustment from time to time based on the Company's long-term senior unsecured debt ratings. The weighted average all-in interest rate for borrowings under the Facilities was 2.3% as of November 3, 2017.

The Facilities can be voluntarily prepaid in whole or in part at any time without penalty. There is no required principal amortization under the Facilities. The Facilities contain a number of customary affirmative and negative covenants that, among other things, restrict, subject to certain exceptions, the Company's ability to: incur additional liens; sell all or substantially all of the Company's assets; consummate certain fundamental changes or change in the Company's lines of business; and incur additional subsidiary indebtedness. The Facilities also contain financial covenants which require the maintenance of a minimum fixed charge coverage ratio and a maximum leverage ratio. As of November 3, 2017, the Company was in compliance with all such covenants. The Facilities also contain customary events of default.

As of November 3, 2017, the entire balance of the Term Facility was outstanding and, under the Revolving Facility, the Company had no outstanding borrowings, outstanding letters of credit of \$9.5 million, and borrowing availability of \$1.24 billion that, due to its intention to maintain borrowing availability related to the commercial paper program described below, could contribute incremental liquidity of \$690.6 million. In addition, as of November 3, 2017, the Company had outstanding letters of credit of \$40.0 million which were issued pursuant to separate agreements.

As of November 3, 2017, the Company had outstanding unsecured commercial paper notes (the "CP Notes") of \$549.9 million classified as long-term obligations on the condensed consolidated balance sheet due to its intent and ability to refinance these obligations as long-term debt. Under this program, the Company may issue the CP Notes from time to time in an aggregate amount not to exceed \$1.0 billion outstanding at any time. The CP Notes may have maturities of up to 364 days from the date of issue and rank equal in right of payment with all of the Company's other unsecured and unsubordinated indebtedness. The Company intends to maintain available commitments under the Revolving Facility in an amount at least equal to the amount of CP Notes outstanding at any time. As of November 3, 2017, the outstanding CP Notes had a weighted average borrowing rate of 1.4%.

On April 11, 2017, the Company issued \$600.0 million aggregate principal amount of 3.875% senior notes due 2027 (the "2027 Senior Notes"), net of discount of \$0.4 million, which are scheduled to mature on April 15, 2027. Interest on the 2027 Senior Notes is payable in cash on April 15 and October 15 of each year, with the first payment commencing on October 15, 2017. The Company incurred \$5.2 million of debt issuance costs associated with the issuance of the 2027 Senior Notes. The net proceeds from the offering of the 2027 Senior Notes were used to repay all of the Company's outstanding senior notes due in 2017 as discussed below and for general corporate purposes.

On April 27, 2017, the Company redeemed \$500.0 million aggregate principal amount of outstanding 4.125% senior notes due 2017 (the "2017 Senior Notes"), resulting in a pretax loss of \$3.4 million which is reflected in Other (income) expense in the condensed consolidated statement of income for the 39-weeks ended November 3, 2017. The Company funded the redemption price for the 2017 Senior Notes with proceeds from the issuance of the 2027 Senior Notes.

## 5. Assets and liabilities measured at fair value

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). The Company does not have any fair value measurements categorized within Level 3 as of November 3, 2017.

The following table presents the Company's assets and liabilities disclosed at fair value as of November 3, 2017, aggregated by the level in the fair value hierarchy within which those measurements are classified.

<u>(In thousands)</u>	<u>Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total Fair Value at November 3, 2017</u>
<b>Liabilities:</b>				
Long-term obligations (a)	\$ 2,480,290	\$ 740,271	\$ —	\$ 3,220,561
Deferred compensation (b)	23,532	—	—	23,532

- (a) Included in the condensed consolidated balance sheet at book value as Current portion of long-term obligations of \$401,532 and Long-term obligations of \$2,719,568.
- (b) Reflected at fair value in the condensed consolidated balance sheet as Accrued expenses and other current liabilities of \$1,441 and noncurrent Other liabilities of \$22,091.

## 6. Commitments and contingencies

### Legal proceedings

From time to time, the Company is a party to various legal matters involving claims incidental to the conduct of its business, including actions by employees, consumers, suppliers, government agencies, or others. The Company has recorded accruals with respect to these matters, where appropriate, which are reflected in the Company's consolidated financial statements. For some matters, a liability is not probable or the amount cannot be reasonably estimated and therefore an accrual has not been made.

Except as described below, the Company believes, based upon information currently available, that such matters, both individually and in the aggregate, will be resolved without a material adverse effect on the Company's consolidated financial statements as a whole. However, litigation and other legal matters involve an element of uncertainty. Future developments could cause these actions or claims to have a material adverse effect on the Company's results of operations, cash flows, or financial position. In addition, certain of these matters, if decided adversely to the Company or settled by the Company, may result in liability material to the Company's financial position or may negatively affect operating results if changes to the Company's business operation are required.

### Wage and Hour Litigation

The Company is defending the following wage and hour matters (collectively the "Wage/Hour Litigation"):

- **California Wage/Hour Litigation:** Plaintiffs allege that they and a putative statewide class of other "key carriers" were not provided with meal and rest periods and were provided inaccurate wage statements and termination pay in violation of California law, including California's Private Attorney General Act (the "PAGA"). The plaintiffs seek to proceed on a statewide class basis and to recover alleged unpaid wages, injunctive relief, consequential damages, pre-judgment interest, statutory penalties and attorneys' fees and costs.

- Pennsylvania Wage/Hour Litigation: Plaintiff alleges that he and other similarly situated current and former hourly employees were subjected to unlawful policies and practices and were denied regular and overtime wages in violation of federal and Pennsylvania law. The plaintiff seeks to proceed on a nationwide collective basis under federal law and a statewide class basis under Pennsylvania law and to recover alleged unpaid wages, liquidated damages, statutory damages, and attorneys' fees and costs.
- Tennessee Wage/Hour Litigation: Plaintiffs allege that they and other similarly situated current and former "key holders" were not paid for all hours worked in violation of federal, Illinois and Tennessee law. The plaintiffs seek to proceed on a nationwide collective basis under federal law and a statewide class basis under Tennessee and Illinois law and to recover alleged unpaid wages, statutory and common law damages, liquidated damages, pre- and post-judgment interest and attorneys' fees and costs.

The Company is vigorously defending the Wage/Hour Litigation and believes that its policies and practices comply with federal and state laws and that these actions are not appropriate for class or similar treatment. At this time, it is not possible to predict whether these matters will be permitted to proceed as a class or other similar action, or the size of any putative class or classes. Likewise, at this time it is not possible to estimate the value of the claims asserted, and no assurances can be given that the Company will be successful in its defense of these matters on the merits or otherwise. For these reasons, the Company is unable to estimate any potential loss or range of loss in these matters; however, if the Company is not successful in its defense efforts, the resolution of these actions could have a material adverse effect on the Company's consolidated financial statements as a whole.

#### Other Employment Litigation

The Company is defending the following employment-related matters (collectively the "Employment Litigation"):

- California Suitable Seating Litigation: The plaintiff alleges that the Company failed to provide her and other current and former California store employees with suitable seats in violation of California law. The plaintiff seeks to recover penalties under the PAGA, injunctive relief, and attorneys' fees and costs.
- EEOC Litigation: The United States Equal Employment Opportunity Commission ("EEOC") filed suit against the Company alleging the Company's use of post offer, pre-employment physical assessments, as applied to candidates for the general warehouse position in the Bessemer, Alabama distribution center, violates the Americans with Disabilities Act and the Genetic Information Nondiscrimination Act.

The Company is vigorously defending the Employment Litigation and believes that its employment policies and practices comply with federal and state law and that these matters are not appropriate for class or similar treatment. At this time, it is not possible to predict whether these matters will be permitted to proceed as a class or in a similar fashion, or the size of any putative class or classes. Likewise, at this time, it is not possible to estimate the value of the claims asserted, and no assurances can be given that the Company will be successful in its defense of these matters on the merits or otherwise. For these reasons, the Company is unable to estimate any potential loss or range of loss in these matters; however if the Company is not successful in its defense efforts, the resolution of these matters could have a material adverse effect on the Company's consolidated financial statements as a whole.

#### Consumer/Product Litigation

In December 2015 the Company was first notified of several lawsuits in which the plaintiffs allege violation of state consumer protection laws relating to the labeling, marketing and sale of Dollar General private-label motor oil. Each of these lawsuits, as well as additional, similar lawsuits filed after December 2015, was filed in, or removed to, various federal district courts of the United States (collectively "the Motor Oil Lawsuits").

On June 2, 2016, the United States Judicial Panel on Multidistrict Litigation ("JPML") granted the Company's motion to centralize the Motor Oil Lawsuits in a matter styled *In re Dollar General Corp. Motor Oil Litigation*, Case MDL No. 2709, before the United States District Court for the Western District of Missouri ("Motor Oil MDL"). Subsequently, the plaintiffs in the Motor Oil MDL filed a consolidated amended complaint, in which they seek to certify two nationwide classes and multiple statewide sub-classes and for each putative class member some or all of the following relief: compensatory damages, injunctive relief, statutory damages, punitive damages and attorneys' fees. The court recently granted in part and denied in part the Company's motion to dismiss the allegations raised in the consolidated amended complaint. To the extent additional consumer lawsuits alleging violation of laws relating to the

labeling, marketing and sale of Dollar General private-label motor oil have been or will be filed, the Company expects that such lawsuits will be transferred to the Motor Oil MDL.

In May 2017, the Company received a Notice of Proposed Action from the Office of the New Mexico Attorney General (the “New Mexico AG” or “Attorney General”) which alleges that the Company’s labeling, marketing and sale of Dollar General private-label motor oil violated New Mexico law (the “New Mexico Motor Oil Matter”). The State is represented in connection with this matter by counsel for the plaintiffs in the Motor Oil MDL.

On May 25, 2017, in response to the Notice of Proposed Action, the Company filed an action in New Mexico federal court seeking a declaratory judgment that the Attorney General is prohibited by, among other things, the United States Constitution, from pursuing the New Mexico Motor Oil Matter and an order enjoining the Attorney General from pursuing such an action. (*Dollar General Corporation v. Hector H. Balderas*, D.N.M., Case No. 1:17-cv-00588). Thereafter, on June 20, 2017, the New Mexico Attorney General filed an action in the First Judicial District Court, County of Santa Fe, New Mexico pertaining to the New Mexico Motor Oil Matter. (*Hector H. Balderas v. Dolgencorp, LLC*, Case No. D-101-cv-2017-01562). The Company removed this matter to New Mexico federal court on July 26, 2017, and filed a motion to dismiss the action. The matter was transferred to the Motor Oil MDL and the State has moved to remand it to state court. (*Hector H. Balderas v. Dolgencorp, LLC*, D.N.M., Case No. 1:17-cv-772).

On September 1, 2017, the Mississippi Attorney General, who also is represented by the counsel for the plaintiffs in the Motor Oil MDL, filed an action in the Chancery Court of the First Judicial District of Hinds County, Mississippi which alleges that the Company’s labeling, marketing and sale of Dollar General private-label motor oil violated Mississippi law. (*Jim Hood v. Dollar General Corporation*, Case No. G2017-1229 T/1) (the “Mississippi Motor Oil Matter”). The Company removed this matter to Mississippi federal court on October 5, 2017, and filed a motion to dismiss the action. The matter was conditionally transferred to the Motor Oil MDL and the State moved to vacate the JPML’s conditional transfer order. The State also moved to remand it to state court. (*Jim Hood v. Dollar General Corporation*, N.D. Miss., Case No. 3:17-cv-801-LG-LRA).

The Company is vigorously defending these matters and believes that the labeling, marketing and sale of its private-label motor oil comply with applicable federal and state requirements and are not misleading. The Company further believes that these matters are not appropriate for class or similar treatment. At this time, however, it is not possible to predict whether these matters will be permitted to proceed as a class or in a similar fashion, whether on a statewide or nationwide basis, or the size of any putative class or classes. Likewise, at this time, it is not possible to estimate the value of the claims asserted, and no assurances can be given that the Company will be successful in its defense of these matters on the merits or otherwise. For these reasons, the Company is unable to estimate the potential loss or range of loss in these matters; however, if the Company is not successful in its defense efforts, the resolution of the Motor Oil MDL, the New Mexico Motor Oil Matter or the Mississippi Motor Oil Matter could have a material adverse effect on the Company’s consolidated financial statements as a whole.

#### Shareholder Litigation

The Company is defending litigation filed in January and February 2017 in which the plaintiffs, on behalf of themselves and a putative class of shareholders, allege that between March 10, 2016 and December 1, 2016, the Company and certain of its officers (the “Individual Defendants”) violated federal securities laws by misrepresenting the impact to sales of changes to certain federal programs that provide supplemental nutritional assistance to individuals. (*Iron Workers Local Union No. 405 Annuity Fund v. Dollar General Corporation, et al.*, M.D. Tenn. Case No. 3:17-cv-00063; *Julia Askins v. Dollar General Corporation, et al.*, M.D. Tenn., Case No. 3:17-cv-00276; *Bruce Velan v. Dollar General Corporation, et al.*, M.D. Tenn., Case No. 3:17-cv-00275) (collectively “the Shareholder Litigation”). The plaintiffs in the Shareholder Litigation seek the following relief: compensatory damages, unspecified equitable relief, pre- and post-judgment interest and attorneys’ fees and expenses. The court has consolidated the cases, appointed a lead plaintiff and entered a preliminary scheduling order. A motion to dismiss filed by the Company and the Individual Defendants is pending.

The Company believes that the statements at issue in the Shareholder Litigation complied with the federal securities laws and intends to vigorously defend this matter. At this time, it is not possible to predict whether the Shareholder Litigation will be permitted to proceed as a class or the size of any putative class. Likewise, at this time, it is not possible to estimate the value of the claims asserted in this action, and no assurances can be given that the Company will be successful in its defense on the merits or otherwise. For these reasons, the Company is unable to estimate the potential loss or range of loss in this matter; however if the Company is not successful in its defense efforts, the resolution of the Shareholder Litigation could have a material adverse effect on the Company’s consolidated financial statements as a whole.

The Company is also defending shareholder derivative actions filed in April, July and August 2017, in which each plaintiff asserts, purportedly on behalf of the Company, some or all of the following claims against the Company's board of directors and certain of its officers based upon factual allegations substantially similar to those in the Shareholder Litigation: alleged breach of fiduciary duties, unjust enrichment, violation of federal securities laws, abuse of control, and gross mismanagement. (*Robert Anderson v. Todd Vasos, et al.*, M.D. Tenn. Case No. 3:17-cv-00693; *Sharon Shaver v. Todd J. Vasos, et al.*, Chancery Court for the Twentieth Judicial District of Davidson County, Tennessee, Case No. 17-797-I; *Glenn Saito v. Todd Vasos, et al.*, M.D. Tenn., Case No. 3:17-cv-01138) (collectively "the Derivative Litigation"). The plaintiffs in the Derivative Litigation seek, purportedly on behalf of the Company, some or all of the following relief: compensatory damages, injunctive relief, disgorgement, restitution and attorneys' fees and expenses. The *Anderson* and *Saito* cases have been consolidated and stayed pending resolution of the motion to dismiss in the Shareholder Litigation, and a similar stay has been ordered in the *Shaver* action.

## 7. Segment reporting

The Company manages its business on the basis of one reportable operating segment. As of November 3, 2017, all of the Company's operations were located within the United States with the exception of certain subsidiaries in Hong Kong and China and a liaison office in India, which collectively are not material with regard to assets, results of operations or otherwise to the condensed consolidated financial statements. The following net sales data is presented in accordance with accounting standards related to disclosures about segments of an enterprise.

(in thousands)	13 Weeks Ended		39 Weeks Ended	
	November 3, 2017	October 28, 2016	November 3, 2017	October 28, 2016
Classes of similar products:				
Consumables	\$ 4,625,401	\$ 4,137,748	\$ 13,425,273	\$ 12,293,395
Seasonal	636,519	575,912	2,017,150	1,873,715
Home products	346,339	329,715	1,007,137	968,161
Apparel	295,347	276,654	891,976	842,081
Net sales	<u>\$ 5,903,606</u>	<u>\$ 5,320,029</u>	<u>\$ 17,341,536</u>	<u>\$ 15,977,352</u>

## 8. Common stock transactions

On August 29, 2012, the Company's Board of Directors authorized a common stock repurchase program, which the Board has since increased on several occasions. Most recently, on August 24, 2016, the Company's Board of Directors authorized a \$1.0 billion increase to the existing common stock repurchase program. As of November 3, 2017, a cumulative total of \$5.0 billion had been authorized under the program since its inception and approximately \$634.6 million remained available for repurchase. The repurchase authorization has no expiration date and allows repurchases from time to time in the open market or in privately negotiated transactions. The timing and number of shares purchased depends on a variety of factors, such as price, market conditions, compliance with the covenants and restrictions under the Company's debt agreements and other factors. Repurchases under the program may be funded from available cash or borrowings including under the Facilities and issuance of CP Notes discussed in further detail in Note 4.

Pursuant to its common stock repurchase program, during the 39-week periods ended November 3, 2017, and October 28, 2016, the Company repurchased in the open market approximately 4.0 million shares of its common stock at a total cost of \$298.7 million and approximately 8.2 million shares at a total cost of \$679.4 million, respectively.

The Company paid quarterly cash dividends of \$0.26 per share during each of the first three quarters of 2017. On December 5, 2017, the Company's Board of Directors approved a quarterly cash dividend of \$0.26 per share payable on January 23, 2018 to shareholders of record at the close of business on January 9, 2018. The declaration of future cash dividends is subject to the discretion of the Company's Board of Directors and will depend upon, among other things, the Company's results of operations, cash requirements, financial condition, contractual restrictions and other factors that the Board may deem relevant in its sole discretion.

**Review Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of  
Dollar General Corporation

We have reviewed the condensed consolidated balance sheet of Dollar General Corporation and subsidiaries (the Company) as of November 3, 2017, and the related condensed consolidated statements of income and comprehensive income for the thirteen week and thirty-nine week periods ended November 3, 2017 and October 28, 2016, and the condensed consolidated statements of cash flows for the thirty-nine week periods ended November 3, 2017 and October 28, 2016. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Dollar General Corporation and subsidiaries as of February 3, 2017, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the fiscal year then ended (not presented herein) and we expressed an unqualified opinion on those consolidated financial statements in our report dated March 24, 2017. In our opinion, the accompanying condensed consolidated balance sheet of Dollar General Corporation and subsidiaries as of February 3, 2017, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

December 7, 2017  
Nashville, Tennessee

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

### **General**

This discussion and analysis is based on, should be read with, and is qualified in its entirety by, the accompanying unaudited condensed consolidated financial statements and related notes, as well as our consolidated financial statements and the related Management's Discussion and Analysis of Financial Condition and Results of Operations as contained in our Annual Report on Form 10-K for the fiscal year ended February 3, 2017. It also should be read in conjunction with the disclosure under "Cautionary Disclosure Regarding Forward-Looking Statements" in this report.

### **Executive Overview**

We are among the largest discount retailers in the United States by number of stores, with 14,321 stores located in 44 states as of November 3, 2017, with the greatest concentration of stores in the southern, southwestern, midwestern and eastern United States. We offer a broad selection of merchandise, including consumable products such as food, paper and cleaning products, health and beauty aid products and pet supplies, and non-consumable products such as seasonal merchandise, home decor and domestics, and basic apparel. Our merchandise includes national brands from leading manufacturers, as well as our own private brand selections with prices at substantial discounts to national brands. We offer our customers these national brand and private brand products at everyday low prices (typically \$10 or less) in our convenient small-box locations.

Because the customers we serve are value-conscious, many with low or fixed incomes, we are intensely focused on helping them make the most of their spending dollars. We believe our convenient store formats, locations, and broad selection of high-quality products at compelling values have driven our substantial growth and financial success over the years and through a variety of macroeconomic environments. Like other retailers, we have been operating for several years in an environment with ongoing macroeconomic challenges and uncertainties. Our core customers are often among the first to be affected by negative or uncertain economic conditions and are among the last to feel the effects of improving economic conditions particularly when, as in the recent past, economic trends are inconsistent and their duration unknown. The primary macroeconomic factors that affect our core customers include the unemployment and underemployment rates, wage growth, fuel prices and changes to certain government assistance programs, such as the 2016 changes to the Supplemental Nutrition Assistance Program, which has had the effect of not only reducing benefit levels but also eliminating benefit eligibility for certain individuals. Additionally, our customers are impacted by increases in those expenses that generally comprise a large portion of their budget, such as rent and healthcare, which have increased during 2016 and the first three quarters of 2017 at a rate greater than many of our core customers' growth in income.

Our same-store sales performance in the second and third quarters suggests that the negative effect of the above macroeconomic factors as a whole may have moderated slightly as compared to previous quarters. However, we continue to believe the overall net effect of the macroeconomic factors listed above has negatively impacted our customer traffic and, along with deflationary pressures, including both lower commodity costs and pricing actions on our products, has adversely affected same-store sales for the past several quarters. We continue to monitor these factors as they continue to have the potential to negatively affect our sales results.

During 2017 we have continued to make progress on our initiatives as we continue to pursue long-term growth opportunities. At the same time, we remain committed to the following long-term operating priorities as we consistently strive to improve our performance while retaining our customer-centric focus: 1) driving profitable sales growth, 2) capturing growth opportunities, 3) enhancing our position as a low-cost operator, and 4) investing in our people as a competitive advantage.

We seek to drive profitable sales growth through initiatives aimed at increasing customer traffic and average transaction amount, as well as an ongoing focus on enhancing our margins while maintaining both everyday low price and affordability.

For the first three quarters of 2017, consistent with historical performance, our sales of consumables, which tend to have lower gross margins, have been the key drivers of net sales and customer traffic, while sales of

non-consumables, which tend to have higher gross margins, have contributed to profitable sales growth. In addition, during the first three quarters of 2017, our mix of consumables sales has continued to shift somewhat toward lower margin consumable departments such as perishables and tobacco. We expect the trends of consumables, and lower margin consumables, comprising a larger percentage of our sales to continue throughout at least the remainder of the year and potentially into 2018. Our initiatives target these trends, although there can be no assurance we will be successful in their reversal.

Our initiatives are designed to increase customer traffic and average transaction amounts as we believe same-store sales growth is key to achieving our financial objectives. During the first three quarters of 2017, we have made significant progress on many of these initiatives, which include the continued expansion of coolers, the rollout of additional strategies across each of our merchandise departments, including a redesign of our Health and Beauty department to drive further product awareness and market share, a continued focus on improving our in-stock position and the addition of a queue line in a portion of our existing store base. We will continue to utilize our customer segmentation information and other tools, which have provided us with deeper insights into the spending habits of each of our core customer segments, to refine these initiatives and drive our category management process as we optimize our merchandise assortment and expand into those products that we believe are most likely to drive customer traffic to our stores. We also continue to enhance our advertising effectiveness by expanding our digital capabilities and further integrating our traditional and digital media mix to reach our customers where, when and how they decide to engage with us while also targeting a higher return on investment. These efforts are now being led by our Chief Digital and Customer Engagement Officer, a new position created to help drive these initiatives. Many of these initiatives support our plans to continue investing in our existing store base, with a goal to drive increased customer traffic and average transaction amount and as a result our same-store sales.

We demonstrate our commitment to the affordability needs of our core customer by pricing more than 80% of our stock-keeping units at \$5 or less as of the end of the third quarter of 2017. Even as we work to provide everyday low prices and meet our customers' affordability needs, we also remain focused on enhancing our margins through effective category management, inventory shrink reduction initiatives, private brands penetration, distribution and transportation efficiencies, global sourcing and pricing and markdown optimization. With respect to category management, we strive to maintain an appropriate mix of consumables and non-consumables sales because, as noted above, the mix of sales affects profitability due to the varying gross margins between, and even within, the consumables and non-consumables categories. To support our efforts to reduce inventory shrink, we expect to continue to implement additional in-store defensive merchandising and technology-based tools, such as Electronic Article Surveillance and video-enabled exception-based reporting into 2018, as the results suggest these measures help reduce shrink and improve our in-stock position. Increasing carrier and fuel rates pressured our overall gross margin in the third quarter of 2017, and we anticipate these negative effects continuing for at least the remainder of the year and into early 2018. However, we continue to seek to reduce our stem miles and optimize loads to improve distribution and transportation efficiencies.

To support our other operating priorities, we remain focused on capturing growth opportunities. In 2017, we intend to open approximately 1,285 stores, which includes our originally planned 1,000 new stores as well as store locations acquired in June 2017 in 35 states from a small-box multi-price point retailer. As of the end of the third quarter, we have converted 263 of the acquired store sites to the Dollar General banner. Additionally, we intend to relocate or remodel approximately 760 stores in 2017. For the 2018 fiscal year, we plan to open approximately 900 new stores, remodel approximately 1,000 mature store locations, and relocate approximately 100 stores for an approximate total of 2,000 real estate projects.

We continue to innovate within our channel and are able to utilize the most productive of our various store formats based on the specific market opportunity. As has been the case throughout the first three quarters of 2017, we expect that our traditional 7,300 square foot store format will continue to be the primary store layout for new stores, relocations and remodels in the remainder of 2017. In addition, our smaller format store (less than 6,000 square feet) allows us to capture growth opportunities in metropolitan areas as well as rural areas with a low number of households. We continue to incorporate into our existing store base lessons learned from our various store formats and layouts with a goal of driving increased customer traffic, average transaction amount, same-store sales and overall store productivity.

To support our new store growth and drive productivity, we continue to make investments in our distribution center network. Our fifteenth distribution center in Jackson, Georgia began shipping in October 2017. We began construction on our sixteenth distribution center in Amsterdam, New York in June 2017 to support our northeast growth.



We have established a position as a low-cost operator, continuously seeking ways to reduce or control costs that do not affect our customers' shopping experience. We plan to continue enhancing this position over time as we aim to continually streamline our business while also employing ongoing cost discipline to reduce certain expenses as a percentage of sales. We believe these actions will assist in maintaining our ability to leverage Selling, General & Administrative ("SG&A") expenses at a lower same-store sales growth percentage over the long term. In addition, we remain committed to simplifying or eliminating store-level tasks and processes so that those time savings can be reinvested by our store managers and their teams in important areas such as enhanced customer service, higher in-stock levels and improved store standards.

Our employees are a competitive advantage, and we are always searching for ways to continue investing in them. We invest in our employees in an effort to create an environment that attracts and retains talented personnel, as we believe that, particularly at the store level, employees who are promoted from within generally have longer tenures and are greater contributors to improvements in our financial performance. Our store managers play a critical role in our customer experience and individual store profitability, and beginning in March 2017 we implemented certain investments in compensation and training for this position in the form of increased SG&A expenses that we believe have already contributed to improved customer experience scores, higher sales and improved turnover metrics.

To further enhance shareholder return, we continued to repurchase shares of our common stock during the first three quarters of 2017, although at a lower amount than in 2016, and we continued to pay quarterly cash dividends. We plan to continue both of these activities in the fourth quarter of 2017, subject to Board discretion and approval.

During the third quarter of 2017, multiple hurricanes made landfall in the southern United States. The storms resulted in extensive damage and flooding throughout the South and Southeast, especially in the coastal areas. We estimate these storms resulted in a positive impact to same-store sales for the 2017 third quarter of approximately 30-35 basis points. Conversely, the storms and accompanying flooding resulted in \$24.8 million of expense, and an estimated overall net negative impact of approximately \$0.05 to diluted earnings per share in the 2017 third quarter.

Both the U.S. House and Senate have passed bills related to the Tax Cuts and Jobs Act ("Act") with both versions now headed to conference to attempt to resolve differences between the bills. As currently drafted, the bills are expected to have a favorable, material impact on the Company's effective tax rate and net income as reported under generally accepted accounting principles both in the quarter in which the Act is passed and subsequent reporting periods to which the Act is effective. The likelihood, timing, and details of a final, reconciled bill and whether such a bill will ultimately be enacted are uncertain. There can be no assurances that a final, reconciled bill, if enacted, would have the same impact as either the current House or Senate bill.

Highlights of our 2017 third quarter results of operations compared to the 2016 third quarter and our financial condition at November 3, 2017 are set forth below. Basis points amounts referred to below are equal to 0.01% as a percentage of net sales.

- Net sales increased 11.0% to \$5.9 billion. Sales in same-stores increased 4.3% due to increases in average transaction amount and customer traffic. Average sales per square foot for all stores over the 53-week period ended November 3, 2017 was \$230.
- Gross profit, as a percentage of net sales, was 29.9% in the 2017 period compared to 29.8% in the 2016 period, an increase of 8 basis points, primarily reflecting higher initial markups on inventory purchases and an improved rate of inventory shrinkage, among other factors discussed below.
- SG&A expense, as a percentage of net sales, was 22.9% in the 2017 period compared to 22.5% in the 2016 period, an increase of 40 basis points, reflecting increased retail labor, incentive compensation and occupancy costs as well as hurricane-related costs, among other factors discussed below.
- Interest expense increased by \$0.1 million to \$24.0 million in the 2017 period.
- Net income was \$252.5 million, or \$0.93 per diluted share, in the 2017 period compared to net income of \$235.3 million, or \$0.84 per diluted share, in the 2016 period.

Highlights of the year-to-date period of 2017 include:

- Cash generated from operating activities was \$1.14 billion for the 2017 period compared to \$1.12 billion in the comparable 2016 period.
- Total cash dividends of \$212.9 million, or \$0.78 per share, were paid during the 2017 period, compared to \$212.2 million, or \$0.75 per share, in the comparable 2016 period.
- Inventory turnover was 4.7 times on a rolling four-quarter basis. On a per store basis, inventories at November 3, 2017 decreased by 4.9% over the balances at October 28, 2016.

The above discussion is a summary only. Readers should refer to the detailed discussion of our results of operations below in the current year periods as compared with the prior year periods as well as our financial condition at November 3, 2017.

### **Results of Operations**

*Accounting Periods.* We utilize a 52-53 week fiscal year convention that ends on the Friday nearest to January 31. The following text contains references to years 2017 and 2016, which represent the 52-week fiscal year ending February 2, 2018 and the 53-week fiscal year ended February 3, 2017, respectively. References to the third quarter accounting periods for 2017 and 2016 contained herein refer to the 13-week accounting periods ended November 3, 2017 and October 28, 2016, respectively. References to the year-to-date accounting periods for 2017 and 2016 contained herein refer to the 39-week accounting periods ended November 3, 2017 and October 28, 2016, respectively.

*Seasonality.* The nature of our business is seasonal to a certain extent. Primarily because of sales of Christmas-related merchandise, sales in our fourth quarter (November, December and January) have historically been higher than sales achieved in each of the first three quarters of the fiscal year. Expenses, and to a greater extent operating profit, vary by quarter. Results of a period shorter than a full year may not be indicative of results expected for the entire year. Furthermore, the seasonal nature of our business may affect comparisons between periods.

The following table contains results of operations data for the third 13-week and first 39-week periods of 2017 and 2016, and the dollar and percentage variances among those periods:

(amounts in millions, except per share amounts)	13 Weeks Ended		2017 vs. 2016		39 Weeks Ended		2017 vs. 2016	
	November 3, 2017	October 28, 2016	Amount Change	% Change	November 3, 2017	October 28, 2016	Amount Change	% Change
<b>Net sales by category:</b>								
Consumables	\$ 4,625.4	\$4,137.7	\$ 487.7	11.8 %	\$13,425.3	\$12,293.4	\$1,131.9	9.2 %
% of net sales	78.35 %	77.78 %			77.42 %	76.94 %		
Seasonal	636.5	575.9	60.6	10.5	2,017.2	1,873.7	143.4	7.7
% of net sales	10.78 %	10.83 %			11.63 %	11.73 %		
Home products	346.3	329.7	16.6	5.0	1,007.1	968.2	39.0	4.0
% of net sales	5.87 %	6.20 %			5.81 %	6.06 %		
Apparel	295.3	276.7	18.7	6.8	892.0	842.1	49.9	5.9
% of net sales	5.00 %	5.20 %			5.14 %	5.27 %		
Net sales	\$ 5,903.6	\$5,320.0	\$ 583.6	11.0 %	\$17,341.5	\$15,977.4	\$1,364.2	8.5 %
Cost of goods sold	4,137.2	3,732.5	404.6	10.8	12,085.6	11,095.5	990.1	8.9
% of net sales	70.08 %	70.16 %			69.69 %	69.44 %		
Gross profit	1,766.5	1,587.5	178.9	11.3	5,256.0	4,881.9	374.1	7.7
% of net sales	29.92 %	29.84 %			30.31 %	30.56 %		
Selling, general and administrative expenses	1,349.0	1,194.5	154.5	12.9	3,871.6	3,499.1	372.5	10.6
% of net sales	22.85 %	22.45 %			22.33 %	21.90 %		
Operating profit	417.4	393.0	24.4	6.2	1,384.4	1,382.8	1.5	0.1
% of net sales	7.07 %	7.39 %			7.98 %	8.65 %		
Interest expense	24.0	23.9	0.1	0.5	72.7	72.3	0.4	0.6
% of net sales	0.41 %	0.45 %			0.42 %	0.45 %		
Other (income) expense	—	—	—	—	3.5	—	3.5	—
% of net sales	0.00 %	0.00 %			0.02 %	0.00 %		
Income before income taxes	393.4	369.1	24.3	6.6	1,308.1	1,310.5	(2.4)	(0.2)
% of net sales	6.66 %	6.94 %			7.54 %	8.20 %		
Income tax expense	140.9	133.8	7.1	5.3	481.3	473.6	7.8	1.6
% of net sales	2.39 %	2.52 %			2.78 %	2.96 %		
Net income	\$ 252.5	\$ 235.3	\$ 17.2	7.3 %	\$ 826.8	\$ 837.0	\$ (10.2)	(1.2)%
% of net sales	4.28 %	4.42 %			4.77 %	5.24 %		
Diluted earnings per share	\$ 0.93	\$ 0.84	\$ 0.09	10.7 %	\$ 3.02	\$ 2.95	\$ 0.07	2.4 %

### 13 WEEKS ENDED NOVEMBER 3, 2017 AND OCTOBER 28, 2016

**Net Sales.** The net sales increase in the 2017 period reflects a same-store sales increase of 4.3% compared to the 2016 period. Same-stores include stores that have been open for at least 13 months and remain open at the end of the reporting period. For the 2017 period, there were 12,971 same-stores which accounted for sales of \$5.5 billion. The increase in same-store sales reflects increases in average transaction amount and customer traffic as discussed above in the Executive Overview, as well as hurricane-related impacts. Same-store sales increased in the consumables, seasonal and apparel categories, and declined in the home products category. Same-store sales results in the three non-consumables categories, when aggregated, were positive. The net sales increase was positively affected by sales from new stores, modestly offset by sales from closed stores.

**Gross Profit.** For the 2017 period, gross profit increased by 11.3%, and as a percentage of net sales increased by 8 basis points to 29.9% compared to the 2016 period. Higher initial markups on inventory purchases and an improved rate of inventory shrinkage contributed to the increase in the gross profit rate. These factors were partially offset by a greater proportion of sales of consumables, which generally have a lower gross profit rate than our other product categories, the sales of lower margin products comprising a higher proportion of consumables sales, and increased transportation costs.

**SG&A Expense.** SG&A expense was 22.9% as a percentage of net sales in the 2017 period compared to 22.5% in the comparable 2016 period, an increase of 40 basis points. The 2017 period results reflect increased retail labor expenses, primarily due to our investment in store manager compensation, and increases in incentive compensation and occupancy costs, each of which increased at a rate greater than the increase in net sales. Partially offsetting these increased expenses were lower utilities costs and a reduction in advertising costs. The 2017 period results include

approximately \$24.8 million of hurricane-related costs, the majority of which were store inventory and property losses. In the 2016 period, we incurred charges of \$13.0 million associated with the acquisition of former Walmart Express store locations and related closure of existing stores plus an incremental \$7.7 million of expenses primarily related to natural disasters.

*Income Taxes.* The effective income tax rate for the 2017 period was 35.8% compared to a rate of 36.2% for the 2016 period which represents a net decrease of 0.4 percentage points. The tax rate for the 2017 period was lower than the comparable 2016 period primarily due to the recognition of greater federal Work Opportunity Tax Credits in the 2017 period.

### **39 WEEKS ENDED NOVEMBER 3, 2017 AND OCTOBER 28, 2016**

*Net Sales.* The net sales increase in the 2017 period reflects a same-store sales increase of 2.6% compared to the 2016 period. In the 2017 period, our 12,971 same-stores accounted for sales of \$16.2 billion. The increase in same-store sales was primarily due to increases in average transaction amount and customer traffic relative to the comparable 2016 period, as same-store sales increased in the consumables, seasonal and apparel categories, and declined in the home products category. Same-store sales results in the three non-consumables categories, when aggregated, were positive. The net sales increase was positively affected by new stores, modestly offset by sales from closed stores.

*Gross Profit.* For the 2017 period, gross profit increased by 7.7%, and as a percentage of net sales decreased by 25 basis points to 30.3% compared to the 2016 period. Higher markdowns, which were primarily for promotional activities, a greater proportion of sales of consumables, which generally have a lower gross profit rate than our other product categories, and sales of lower margin products comprising a higher proportion of consumables sales, each reduced the gross profit rate. These factors were partially offset by higher initial markups on inventory purchases and an improved rate of inventory shrinkage.

*SG&A Expense.* SG&A expense was 22.3% as a percentage of net sales in the 2017 period compared to 21.9% in the 2016 period, an increase of 43 basis points. The 2017 period results reflect increased retail labor expenses, primarily as a result of our investment in store manager compensation, and increased occupancy costs, each of which increased at a rate greater than the increase in net sales. Partially offsetting these increased expenses were reduced advertising costs as well as lower utilities and lower waste management costs primarily resulting from our recycling efforts. We incurred charges associated with hurricanes and other natural disasters as well as costs associated with the acquisition of store locations in both the 2017 and 2016 periods. See the Executive Overview and the 13-week period discussion above for more information regarding the hurricanes, other natural disasters and acquisitions of store locations.

*Other (income) expense.* Other (income) expense in the 2017 period reflects expenses associated with the issuance and refinancing of long-term debt during the first quarter of 2017.

*Income Taxes.* The effective income tax rate for the 2017 period was 36.8% compared to 36.1% for the 2016 period which represents a net increase of 0.7 percentage points. The tax rate for the 2017 period was higher than for the 2016 period primarily due to the recognition of a tax benefit of approximately \$10.9 million in the 2016 period associated with stock based compensation that did not reoccur to the same extent in the 2017 period.

### **Accounting Standards**

In May 2014, the Financial Accounting Standards Board (“FASB”) issued comprehensive new accounting standards related to the recognition of revenue, which specified an effective date for annual reporting periods beginning after December 15, 2016, with early adoption not permitted. In August 2015, the FASB deferred the effective date to annual reporting periods beginning after December 15, 2017, with earlier adoption permitted only for annual reporting periods beginning after December 15, 2016. The new guidance allows companies to use either a full retrospective or a modified retrospective approach in the adoption of this guidance. We have formed a project team to assess and implement the standard by compiling a list of the applicable revenue streams, evaluating relevant contracts and comparing our current accounting policies to the new standard. As a result of the efforts of this project team, we have identified customer incentives and gross versus net considerations as the areas in which we would most likely be affected by the new guidance. We are continuing to assess all the impacts of the new standard and the design of internal control over financial reporting, but based upon the terms of our agreements and an evaluation of the materiality of the

transactions related to customer incentives and gross versus net considerations, we do not expect the adoption to have a material effect on our consolidated results of operations, financial position or cash flows. We currently expect to complete this work in 2017 and to adopt this guidance on February 3, 2018 using the modified retrospective approach.

In February 2016, the FASB issued new guidance related to lease accounting, which when effective will require a dual approach for lessee accounting under which a lessee will account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use asset and a corresponding lease liability on its balance sheet, with differing methodology for income statement recognition. This guidance is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2018, and early adoption is permitted. A modified retrospective approach is required for all leases existing or entered into after the beginning of the earliest comparative period in the consolidated financial statements. We are currently assessing the impact that adoption of this guidance will have on our consolidated financial statements. Specifically, we have formed a project team that is developing test plans for our lease accounting system, we are identifying and evaluating existing contracts for embedded leases, and discussing implementation plans with our lease accounting software vendor, among other activities. We anticipate a material impact to our consolidated financial statements due to our significant number of lease contracts.

In October 2016, the FASB issued amendments to existing guidance related to accounting for intra-entity transfers of assets other than inventory. These amendments require an entity to recognize the income tax consequences of such transfers when the transfer occurs and affects our historical accounting for intra-entity transfers of certain intangible assets. This guidance is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2017, and early adoption is permitted subject to certain guidelines. The amendments should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. We are assessing the impact that adoption of this guidance will have on our consolidated financial statements, and currently expect such adoption would result in an increase in deferred income tax liabilities and a decrease in retained earnings of approximately \$32 million to \$36 million under existing tax legislation.

### **Liquidity and Capital Resources**

We have an unsecured credit agreement that provides for total loans and commitments equal to \$1.425 billion (the “Facilities”), and we have outstanding \$2.4 billion aggregate principal amount of senior notes. We have a commercial paper program that may provide borrowing availability of up to \$1.0 billion. At November 3, 2017, we had total outstanding debt (including the current portion of long-term obligations) of approximately \$3.1 billion, which includes balances under the Facilities, commercial paper and senior notes, all of which are described in greater detail below.

We believe our cash flow from operations and existing cash balances, combined with availability under the Facilities, the commercial paper program and access to the debt markets will provide sufficient liquidity to fund our current obligations, projected working capital requirements, capital spending and anticipated dividend payments for a period that includes the next twelve months as well as the next several years. However, our ability to maintain sufficient liquidity may be affected by numerous factors, many of which are outside of our control. Depending on our liquidity levels, conditions in the capital markets and other factors, we may from time to time consider the issuance of debt, equity or other securities, the proceeds of which could provide additional liquidity for our operations.

For the remainder of fiscal 2017, we anticipate potential combined borrowings under the Revolving Facility (defined below) and our commercial paper program to be a maximum of approximately \$600 million outstanding at any one time, including any anticipated borrowings to fund repurchases of common stock.

#### *Credit Facilities*

On February 22, 2017, we entered into the Facilities, which consist of a \$175.0 million senior unsecured term loan facility (the “Term Facility”) and a \$1.25 billion senior unsecured revolving credit facility (the “Revolving Facility”) of which up to \$175.0 million is available for the issuance of letters of credit. The Term Facility is scheduled to mature on October 20, 2020, and the Revolving Facility is scheduled to mature on February 22, 2022.

Borrowings under the Facilities bear interest at a rate equal to an applicable interest rate margin plus, at our option, either (a) LIBOR or (b) a base rate (which is usually equal to the prime rate). The applicable interest rate margin for borrowings as of November 3, 2017 was 1.10% for LIBOR borrowings and 0.10% for base-rate borrowings. We must also pay a facility fee, payable on any used and unused commitment amounts of the Facilities, and customary fees on letters of credit issued under the Revolving Facility. As of November 3, 2017, the commitment fee rate was 0.15%. The applicable interest rate margins for borrowings, the facility fees and the letter of credit fees under the Facilities are subject to adjustment from time to time based on our long-term senior unsecured debt ratings. The weighted average all-in interest rate for borrowings under the Facilities was 2.3% as of November 3, 2017.

The Facilities can be voluntarily prepaid in whole or in part at any time without penalty. There is no required principal amortization under the Facilities. The Facilities contain a number of customary affirmative and negative covenants that, among other things, restrict, subject to certain exceptions, our (including our subsidiaries') ability to: incur additional liens; sell all or substantially all of our assets; consummate certain fundamental changes or change in our lines of business; and incur additional subsidiary indebtedness. The Facilities also contain financial covenants that require the maintenance of a minimum fixed charge coverage ratio and a maximum leverage ratio. As of November 3, 2017, we were in compliance with all such covenants. The Facilities also contain customary events of default.

As of November 3, 2017, the entire balance of the Term Facility was outstanding, and under the Revolving Facility, we had no outstanding borrowings, outstanding letters of credit of \$9.5 million, and borrowing availability of \$1.24 billion that, due to our intention to maintain borrowing availability related to the commercial paper program described below, could contribute incremental liquidity of \$690.6 million at November 3, 2017. In addition, as of November 3, 2017 we had outstanding letters of credit of \$40.0 million which were issued pursuant to separate agreements.

#### *Commercial Paper*

As of November 3, 2017, we had outstanding unsecured commercial paper notes (the "CP Notes") of \$549.9 million classified as long-term obligations on the condensed consolidated balance sheet due to our intent and ability to refinance these obligations as long-term debt. Under this program, we may issue the CP Notes from time to time in an aggregate amount not to exceed \$1.0 billion outstanding at any time. The CP Notes may have maturities of up to 364 days from the date of issue and rank equal in right of payment with all of our other unsecured and unsubordinated indebtedness. We intend to maintain available commitments under the Revolving Facility in an amount at least equal to the amount of CP Notes outstanding at any time. As of November 3, 2017, the outstanding CP Notes had a weighted average borrowing rate of 1.4%.

#### *Senior Notes*

On April 11, 2017, we issued \$600.0 million aggregate principal amount of 3.875% senior notes due 2027 (the "2027 Senior Notes"), net of discount of \$0.4 million, which are scheduled to mature on April 15, 2027. The net proceeds from the offering of the 2027 Senior Notes were used to repay all \$500.0 million of our outstanding 4.125% senior notes due 2017 and for general corporate purposes. In addition, we have \$400.0 million aggregate principal amount of 1.875% senior notes due 2018 (the "2018 Senior Notes"), net of discount of less than \$0.1 million, which are scheduled to mature on April 15, 2018; \$900.0 million aggregate principal amount of 3.25% senior notes due 2023 (the "2023 Senior Notes"), net of discount of \$1.4 million, which are scheduled to mature on April 15, 2023; and \$500.0 million aggregate principal amount of 4.150% senior notes due 2025 (the "2025 Senior Notes"), net of discount of \$0.6 million, which are scheduled to mature on November 1, 2025. Collectively, the 2018 Senior Notes, the 2023 Senior Notes, 2025 Senior Notes, and 2027 Senior Notes comprise the "Senior Notes", each of which were issued pursuant to an indenture as supplemented and amended by supplemental indentures relating to each series of Senior Notes (as so supplemented and amended, the "Senior Indenture"). Interest on the 2018 Senior Notes, the 2023 Senior Notes, and the 2027 Senior Notes is payable in cash on April 15 and October 15 of each year. Interest on the 2025 Senior Notes is payable in cash on May 1 and November 1 of each year. We expect to refinance the 2018 Senior Notes on or prior to their maturity utilizing proceeds from the issuance of additional senior notes, revolver borrowings or the issuance of commercial paper.

We may redeem some or all of the Senior Notes at any time at redemption prices set forth in the Senior Indenture. Upon the occurrence of a change of control triggering event, which is defined in the Senior Indenture, each holder of our Senior Notes has the right to require us to repurchase some or all of such holder's Senior Notes at a

purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the repurchase date.

The Senior Indenture contains covenants limiting, among other things, our ability (subject to certain exceptions) to consolidate, merge, or sell or otherwise dispose of all or substantially all of our assets; and our ability and the ability of our subsidiaries to incur or guarantee indebtedness secured by liens on any shares of voting stock of significant subsidiaries.

The Senior Indenture also provides for events of default which, if any of them occurs, would permit or require the principal of and accrued interest on our Senior Notes to become or to be declared due and payable, as applicable.

#### *Current Financial Condition / Recent Developments*

Our inventory balance represented approximately 53% of our total assets exclusive of goodwill and other intangible assets as of November 3, 2017. Our ability to effectively manage our inventory balances can have a significant impact on our cash flows from operations during a given fiscal year. Inventory purchases are often somewhat seasonal in nature, such as the purchase of warm-weather or Christmas-related merchandise. Efficient management of our inventory has been and continues to be an area of focus for us.

As described in Note 6 to the unaudited condensed consolidated financial statements, we are involved in a number of legal actions and claims, some of which could potentially result in material cash payments. Adverse developments in those actions could materially and adversely affect our liquidity. We also have certain income tax-related contingencies as disclosed in Note 3 to the unaudited condensed consolidated financial statements. Future negative developments could have a material adverse effect on our liquidity.

Our senior unsecured debt is rated “Baa2,” by Moody’s with a stable outlook and “BBB” by Standard & Poor’s with a stable outlook, and our commercial paper program is rated “P-2” by Moody’s and “A-2” by Standard and Poor’s. Our current credit ratings, as well as future rating agency actions, could (i) impact our ability to finance our operations on satisfactory terms; (ii) affect our financing costs; and (iii) affect our insurance premiums and collateral requirements necessary for our self-insured programs. There can be no assurance that we will maintain or improve our current credit ratings.

Unless otherwise noted, all references to the “2017 period” and the “2016 period” in the discussion of “Cash flows from operating activities,” “Cash flows from investing activities,” and “Cash flows from financing activities” below refer to the 39-week periods ended November 3, 2017 and October 28, 2016, respectively.

*Cash flows from operating activities.* Cash flows from operating activities were \$1.14 billion in the 2017 period, which represents an \$18.5 million increase compared to the 2016 period. Changes in merchandise inventories resulted in a \$340.1 million decrease in the 2017 period as compared to a decrease of \$405.5 million in the 2016 period. Changes in accounts payable resulted in a \$384.1 million increase in the 2017 period compared to a \$439.3 million increase in the 2016 period, due primarily to the timing of receipts and payments which was partially impacted by certain changes in payment terms. Changes in income taxes in the 2017 period compared to the 2016 period primarily reflect increased cash tax payments from higher fourth quarter income (including the 53rd week) in the 2016 fiscal year, a reduced cash benefit for stock based compensation and the timing of income recognition for tax purposes.

On an ongoing basis, we closely monitor and manage our inventory balances, and they may fluctuate from period to period based on new store openings, the timing of purchases, and other factors. Merchandise inventories increased 10% in the 2017 period and 13% in the 2016 period. In the 2017 period compared to the 2016 period, changes in inventory balances in our four inventory categories were as follows: the consumables category increased by 18% compared to a 16% increase; the seasonal category was essentially unchanged compared to a 10% increase; the home products category increased by 3% compared to a 23% increase; and apparel decreased by 8% compared to a 5% decrease.

*Cash flows from investing activities.* Significant components of property and equipment purchases in the 2017 period included the following approximate amounts: \$178 million for improvements, upgrades, remodels and relocations of existing stores; \$150 million related to new leased stores, primarily for leasehold improvements, fixtures and equipment; \$134 million for distribution and transportation-related capital expenditures; and \$21 million for information

systems upgrades and technology-related projects. The timing of new, remodeled and relocated store openings along with other factors may affect the relationship between such openings and the related property and equipment purchases in any given period. During the 2017 period, we opened 1,044 new stores and remodeled or relocated 719 stores.

Significant components of property and equipment purchases in the 2016 period included the following approximate amounts: \$136 million for distribution and transportation-related capital expenditures; \$116 million for improvements, upgrades, remodels and relocations of existing stores; \$92 million related to new leased stores, primarily for leasehold improvements, fixtures and equipment; \$38 million for stores purchased or built by us and \$18 million for information systems upgrades and technology-related projects. During the 2016 period, we opened 768 new stores and remodeled or relocated 861 stores.

Capital expenditures for 2017 are currently projected to be in the range of \$700 million to \$750 million. We anticipate funding 2017 capital requirements with existing cash balances, cash flows from operations, availability under our Revolving Facility and the issuance of CP Notes. We plan to continue to invest in store growth through the development of new stores and the remodel or relocation of existing stores. Capital expenditures in 2017 are anticipated to support our store growth (including store locations acquired) as well as our remodel and relocation initiatives, which include capital outlays for leasehold improvements, fixtures and equipment; the construction of new stores; costs to support and enhance our supply chain initiatives including construction of new and investments in existing distribution center facilities; technology initiatives; as well as routine and ongoing capital requirements.

*Cash flows from financing activities.* As discussed above, net proceeds from the issuance of the 2027 Senior Notes in the 2017 period were \$599.6 million. In the 2017 period, we redeemed the 2017 Senior Notes for \$500.0 million and made a principal payment on the Term Facility of \$250.0 million. We had a net increase in commercial paper borrowings in the 2017 period of \$59.4 million and no borrowings or repayments under the Revolving Facility. Net repayments under the Revolving Facility during the 2016 period were \$251.0 million. During the 2017 and 2016 periods, we repurchased 4.0 million and 8.2 million shares of our common stock at a total cost of \$298.7 million and \$679.4 million, respectively, and paid cash dividends of \$212.9 million and \$212.2 million, respectively.

#### *Share Repurchase Program*

At November 3, 2017, our common stock repurchase program had a total remaining authorization of approximately \$634.6 million. Under the authorization, purchases may be made in the open market or in privately negotiated transactions from time to time subject to market and other conditions. The authorization has no expiration date and may be increased or terminated from time to time at the discretion of our Board of Directors. For more information about our share repurchase program, see Note 8 to the condensed consolidated financial statements contained in Part I, Item 1 of this report and Part II, Item 2 of this report.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

There have been no material changes to the disclosures relating to this item from those set forth in our Annual Report on Form 10-K for the fiscal year ended February 3, 2017.

### **ITEM 4. CONTROLS AND PROCEDURES.**

(a) *Disclosure Controls and Procedures.* Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) or Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) *Changes in Internal Control Over Financial Reporting.* There have been no changes in our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) or Rule 15d-15(f)) during the quarter ended November 3, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



## PART II—OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

The information contained in Note 6 to the unaudited condensed consolidated financial statements under the heading “Legal proceedings” contained in Part I, Item 1 of this report is incorporated herein by this reference.

### ITEM 1A. RISK FACTORS.

There have been no material changes to the disclosures relating to this item from those set forth in our Annual Report on Form 10-K for the fiscal year ended February 3, 2017.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

The following table contains information regarding purchases of our common stock made during the quarter ended November 3, 2017 by or on behalf of Dollar General or any “affiliated purchaser,” as defined by Rule 10b-18(a)(3) of the Exchange Act:

#### Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(a)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(a)
08/05/17-08/31/17	—	\$ —	—	\$ 769,593,000
09/01/17-09/30/17	1,582,189	\$ 76.48	1,582,189	\$ 648,593,000
10/01/17-11/03/17	171,710	\$ 81.53	171,710	\$ 634,594,000
Total	1,753,899	\$ 76.97	1,753,899	\$ 634,594,000

- (a) A \$500 million share repurchase program was publicly announced on September 5, 2012, and increases in the authorization under such program were announced on March 25, 2013 (\$500 million increase), December 5, 2013 (\$1.0 billion increase), March 12, 2015 (\$1.0 billion increase), December 3, 2015 (\$1.0 billion increase) and August 25, 2016 (\$1.0 billion increase). Under the authorization, purchases may be made in the open market or in privately negotiated transactions from time to time subject to market and other conditions. This repurchase authorization has no expiration date.

### ITEM 6. EXHIBITS.

See the Exhibit Index to this report immediately before the signature page hereto, which Exhibit Index is incorporated by reference as if fully set forth herein.

## CAUTIONARY DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

We include “forward-looking statements” within the meaning of the federal securities laws throughout this report, particularly under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Part I, Item 2, and “Note 6. Commitments and Contingencies” included in Part I, Item 1, among others. You can identify these statements because they are not limited to historical fact or they use words such as “may,” “will,” “should,” “expect,” “believe,” “anticipate,” “project,” “plan,” “estimate,” “objective,” “aim,” “goal,” “opportunity,” “intend,” “could,” “can,” “would,” “committed,” “likely to,” “scheduled to,” “predict,” “seek,” “potential,” “strive,” “subject to,” “focused on,” “continue,” or “will result in,” and similar expressions that concern our strategy, plans, initiatives, intentions or beliefs about future occurrences or results. For example, statements relating to estimated and projected expenditures, cash flows, results of operations, financial condition and liquidity; plans and objectives for, and expectations regarding, future operations, economic and competitive market conditions, growth or initiatives, including the number of planned store openings, remodels and relocations, progress of merchandising initiatives including customer segmentation and in-stock and shrink management, trends in sales of consumable and non-consumable products, results of the investment in our personnel and the levels of future costs and expenses; potential future stock repurchases and cash dividends; anticipated borrowing under certain of our credit facilities; the potential impact of legal or regulatory changes, including the potential impact of pending tax reform legislation, and our responses thereto; efforts to improve distribution and transportation efficiencies; the anticipated completion date of conversion of the recently acquired store sites to the Dollar General banner along with timing, financial and store count expectations; and the expected outcome or effect of pending or threatened litigation or audits are forward-looking statements.

Forward-looking statements are subject to risks and uncertainties that may change at any time, so our actual results may differ materially from those that we expected. We derive many of these statements from our operating budgets and forecasts, which are based on many detailed assumptions that we believe are reasonable. However, it is very difficult to predict the effect of known factors, and we cannot anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from the expectations expressed in our forward-looking statements include, without limitation:

- economic conditions and other economic factors, including their effect on employment levels, consumer demand, customer traffic, customer disposable income, credit availability and spending patterns, inflation, commodity prices, fuel prices, interest rates, exchange rate fluctuations and the cost of goods;
- failure to successfully execute our strategies and initiatives, including those relating to merchandising, marketing, real estate, sourcing, shrink, private brand, distribution and transportation, store operations, store formats, budgeting and expense reduction, and technology;
- failure to open, relocate and remodel stores profitably and on schedule, as well as failure of our new store base to achieve sales and operating levels consistent with our expectations;
- effective response to competitive pressures and changes in the competitive environment and the markets where we operate, including, but not limited to, pricing, consolidation and omnichannel shopping;
- levels of inventory shrinkage;
- failure to successfully manage inventory balances;
- disruptions, unanticipated or unusual expenses or operational failures in our supply chain including, but not limited to, a decrease in transportation capacity for overseas shipments, increases in transportation costs (including increased fuel costs and carrier rates or driver wages), work stoppages or other labor disruptions that could impede the receipt of merchandise, or delays in constructing or opening new distribution centers;
- risks and challenges associated with sourcing merchandise from suppliers, including, but not limited to, those related to international trade;
- risks and challenges associated with our private brands, including, but not limited to, our level of success in gaining and maintaining broad market acceptance of our private brands;

- unfavorable publicity or consumer perception of our products, including, but not limited to, related product liability;
- the impact of changes in or noncompliance with governmental laws and regulations (including, but not limited to, environmental compliance, product safety, food safety, information security and privacy, and labor and employment laws, as well as tax laws (including the current pending U.S. tax reform legislation), the interpretation of existing tax laws, or our failure to sustain our reporting positions negatively affecting our tax rate) and developments in or outcomes of private actions, class actions, administrative proceedings, regulatory actions or other litigation;
- incurrence of material uninsured losses, excessive insurance costs or accident costs;
- natural disasters, unusual weather conditions, pandemic outbreaks, terrorist acts and geo-political events;
- failure to maintain the security of information that we hold, whether as a result of cybersecurity attacks or otherwise;
- damage or interruption to our information systems or failure of technology initiatives to deliver desired or timely results;
- ability to attract, train and retain qualified employees, while controlling labor costs (including effects of potential federal or state regulatory changes related to overtime exemptions, if implemented) and other labor issues;
- our loss of key personnel, inability to hire additional qualified personnel or disruption of executive management as a result of retirements or transitions;
- seasonality of our business;
- deterioration in market conditions, including market disruptions, limited liquidity and interest rate fluctuations, or a lowering of our credit ratings;
- new accounting guidance, or changes in the interpretation or application of existing guidance, such as changes to guidance related to leases, revenue recognition and intra-company transfers;
- factors disclosed under “Risk Factors” in Part I, Item 1A of our Form 10-K for the fiscal year ended February 3, 2017; and
- factors disclosed elsewhere in this document (including, without limitation, in conjunction with the forward-looking statements themselves) and other factors.

All forward-looking statements are qualified in their entirety by these and other cautionary statements that we make from time to time in our other Securities and Exchange Commission filings and public communications. You should evaluate forward-looking statements in the context of these risks and uncertainties and are cautioned to not place undue reliance on such forward-looking statements. These factors may not contain all of the material factors that are important to you. We cannot assure you that we will realize the results or developments we anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. The forward-looking statements in this report are made only as of the date hereof. We undertake no obligation, and specifically disclaim any duty, to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

## EXHIBIT INDEX

10.1	<a href="#"><u>Summary of Non-Employee Director Compensation (effective February 3, 2018)</u></a>
10.2	<a href="#"><u>Form of Stock Option Award Agreement (approved December 5, 2017) for awards beginning December 2017 to certain newly hired and promoted employees of Dollar General Corporation pursuant to the Dollar General Corporation Amended and Restated 2007 Stock Incentive Plan</u></a>
15	<a href="#"><u>Letter re unaudited interim financial information</u></a>
31	<a href="#"><u>Certifications of CEO and CFO under Exchange Act Rule 13a-14(a)</u></a>
32	<a href="#"><u>Certifications of CEO and CFO under 18 U.S.C. 1350</u></a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

**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, both on behalf of the Registrant and in his capacity as principal financial officer of the Registrant.

DOLLAR GENERAL CORPORATION

Date: December 7, 2017

By: /s/ John W. Garratt

John W. Garratt

Executive Vice President & Chief Financial Officer

**Summary of Non-Employee Director Compensation  
(effective February 3, 2018)**

We do not compensate for Board service any director who also serves as our employee. We will reimburse directors for certain fees and expenses incurred in connection with continuing education seminars and for travel and related expenses related to Dollar General business.

Each non-employee director will receive payment (prorated as applicable) for a fiscal year, in quarterly installments, of the following cash compensation, as applicable:

- \$95,000 annual retainer for service as a Board member;
- \$25,000 annual retainer for service as chairman of the Audit Committee;
- \$20,000 annual retainer for service as chairman of the Compensation Committee; and
- \$17,500 annual retainer for service as chairman of the Nominating & Governance Committee.

The Chairman of the Board will receive an annual Chairman retainer delivered on the first trading day of the fiscal year in the form of restricted stock units payable in shares of our common stock ("RSUs") under our Amended and Restated 2007 Stock Incentive Plan, which are scheduled to vest as to 100% of the award on the first anniversary of the grant date, subject to certain accelerated vesting conditions, and have an estimated value of \$200,000.

In addition, we grant annually to those non-employee directors who are elected or re-elected at each applicable shareholders' meeting an equity award under our Amended and Restated 2007 Stock Incentive Plan with an estimated value of \$150,000 on the grant date. This entire value consists of RSUs. The RSUs will vest as to 100% of the award on the first anniversary of the grant date, subject to certain accelerated vesting conditions. Directors may elect to defer receipt of shares underlying the RSUs. They may also elect to defer up to 100% of cash fees earned for Board service under the Non-Employee Director Deferred Compensation Plan filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2014. Any new director appointed after the annual shareholders' meeting but before February 1 of a given year, will receive a full equity award no later than the first regularly scheduled Compensation Committee meeting following the date on which he or she is appointed. Any new director appointed on or after February 1 of a given year but before the next annual shareholders' meeting shall be eligible to receive the next regularly scheduled annual award.

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**DOLLAR GENERAL CORPORATION  
STOCK OPTION AWARD AGREEMENT**

THIS AGREEMENT (the "Agreement"), dated as of the date indicated on Schedule A hereto (the "Grant Date"), is made by and between Dollar General Corporation, a Tennessee corporation (hereinafter referred to as the "Company"), and the individual whose name is set forth on the signature page hereof, who is an employee of the Company or a Subsidiary or Affiliate of the Company (hereinafter referred to as the "Optionee"). Any capitalized terms herein not otherwise defined in this Agreement shall have the meaning set forth in the Dollar General Corporation Amended and Restated 2007 Stock Incentive Plan, as such Plan may be amended from time to time (the "Plan").

WHEREAS, the Company wishes to carry out the Plan, the terms of which are hereby incorporated by reference and made a part of this Agreement; and

WHEREAS, the Compensation Committee (or a duly authorized subcommittee thereof) of the Board of the Company appointed to administer the Plan (the "Committee") has determined that it would be to the advantage and best interest of the Company and its shareholders to grant the Option provided for herein to the Optionee, and has advised the Company thereof and instructed the undersigned officer to issue said Option.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

**ARTICLE I  
DEFINITIONS**

Whenever the following terms are used in this Agreement, they shall have the meaning specified below unless the context clearly indicates to the contrary.

**Section 1.1. Cause**

"Cause" shall mean (A) "Cause" as such term may be defined in any employment agreement between the Optionee and the Company or any of its Subsidiaries or Affiliates that is in effect at the time of termination of employment; or (B) if there is no such employment agreement in effect, "Cause" as such term may be defined in any change-in-control agreement between the Optionee and the Company or any of its Subsidiaries or Affiliates that is in effect at the time of termination of employment; or (C) if there is no such employment or change-in-control agreement, with respect to an Optionee: (i) any act of the Optionee involving fraud or dishonesty, or any willful failure to perform reasonable duties assigned to the Optionee which failure is not cured within 10 business days after receipt from the Company of written notice of such failure; (ii) any material breach by the Optionee of any securities or other law or regulation or any Company policy governing trading or dealing with stock, securities, investments or the like, or any inappropriate disclosure or "tipping" relating to any stock, securities, investments or the like; (iii) other than as required by law, the carrying out by the Optionee of any activity, or the Optionee making any public statement, which prejudices or ridicules the good name and standing of the Company or its Affiliates or would bring such persons into public contempt or ridicule; (iv) attendance by the Optionee at work in a state of intoxication or the Optionee otherwise being found in possession at the Optionee's place of work of

any prohibited drug or substance, possession of which would amount to a criminal offense; (v) any assault or other act of violence by the Optionee; or (vi) the Optionee being indicted for any crime constituting (x) any felony whatsoever or (y) any misdemeanor that would preclude employment under the Company's hiring policy.

**Section 1.2. Disability**

"Disability" shall mean (A) "Disability" as such term may be defined in any employment agreement between the Optionee and the Company or any of its Subsidiaries or Affiliates that is in effect at the time of termination of employment; or (B) if there is no such employment agreement in effect, "Disability" as such term may be defined in any change-in-control agreement between the Optionee and the Company or any of its Subsidiaries or Affiliates that is in effect at the time of termination of employment; or (C) if there is no such employment or change-in-control agreement, "Disability" as defined in the Company's long-term disability plan.

**Section 1.3. Good Reason**

"Good Reason" shall mean (A) a material diminution in the Optionee's base salary unless such action is in connection with across-the-board base salary reductions affecting 100 percent of employees at the same grade level; or (B) a material diminution in the Optionee's authority, duties or responsibilities. To qualify as a termination due to Good Reason under this Agreement, the Optionee must have provided written notice to the Company of the existence of the circumstances providing grounds for termination for Good Reason within thirty (30) days of the initial existence of such grounds and must have given the Company at least thirty (30) days from receipt of such notice to cure the condition constituting Good Reason. Such termination of employment must have become effective no later than one year after the initial existence of the condition constituting Good Reason.

**Section 1.4. Option**

"Option" shall mean the right and option to purchase, on the terms and conditions set forth herein, all or any part of an aggregate of the number of Shares of Common Stock set forth on Schedule A hereto.

**Section 1.5. Qualifying Termination**

"Qualifying Termination" shall mean the Optionee's employment with the Company and all Service Recipients is involuntarily terminated by the Company other than with Cause or terminated by the Optionee for Good Reason other than when Cause to terminate exists, in each case within two years following a Change in Control. In no event shall a Qualifying Termination include the Retirement, death, Disability or any other termination of the Optionee not specifically covered by the preceding sentence.

**Section 1.6. Retirement**

"Retirement" shall mean the voluntary termination of the Optionee's employment with the Company or any of its Subsidiaries or Affiliates on or after (A) reaching the minimum age of sixty-two (62) and (B) achieving five (5) consecutive years of service; provided, however, that the sum of the Optionee's age plus years of service (counting whole years only) must equal at least seventy (70) and provided further that there is no basis for the Company to terminate the Optionee with Cause at the time of Optionee's voluntary termination.



**Section 1.7. Secretary**

“Secretary” shall mean the Secretary of the Company.

**ARTICLE II  
GRANT OF OPTION**

**Section 2.1. Grant of Option**

For good and valuable consideration, on and as of the Grant Date the Company irrevocably grants to the Optionee the Option on the terms and conditions set forth in this Agreement.

**Section 2.2. Exercise Price**

Subject to Section 2.4, the exercise price of the Shares of Common Stock covered by the Option (the “Exercise Price”) shall be as set forth on Schedule A hereto, which shall be the Fair Market Value on the Grant Date.

**Section 2.3. No Guarantee of Employment**

Nothing in this Agreement or in the Plan shall confer upon the Optionee any right to continue in the employ of the Company or any Subsidiary or Affiliate or shall interfere with or restrict in any way the rights of the Company and its Subsidiaries or Affiliates, which are hereby expressly reserved, to terminate the employment of the Optionee at any time for any reason whatsoever, with or without cause, subject to the applicable provisions of, if any, the Optionee’s employment agreement with the Company or offer letter provided by the Company to the Optionee.

**Section 2.4. Adjustments to Option**

The Option shall be subject to the adjustment provisions of Sections 8 and 9 of the Plan, provided, however, that in the event of the payment of an extraordinary dividend by the Company to its shareholders: the Exercise Price of the Option shall be reduced by the amount of the dividend paid, but only to the extent the Committee determines it to be permitted under applicable tax laws and to not have adverse tax consequences to the Optionee under Section 409A of the Code; and, if such reduction cannot be fully effected due to such tax laws and it will not have adverse tax consequences to the Optionee, then the Company shall pay to the Optionee a cash payment, on a per Share basis, equal to the balance of the amount of the dividend not permitted to be applied to reduce the Exercise Price of the applicable Option as follows: (a) for each Share subject to a vested Option, immediately upon the date of such dividend payment; and (b) for each Share subject to an unvested Option, on the date on which such Option becomes vested and exercisable with respect to such Share.

**ARTICLE III**  
**PERIOD OF EXERCISABILITY**

**Section 3.1. Commencement of Exercisability**

(a) Except as otherwise provided in Section 3.1(b), (c) or (d) below, so long as the Optionee continues to be employed by the Company or any other Service Recipient, the Option shall become vested and exercisable with respect to 25% of the Shares subject to such Option on each of the first four (4) anniversaries of the Grant Date (each such date, a “Vesting Date”). To the extent this vesting schedule results in the vesting of fractional shares, the fractional shares shall be combined and be exercisable on the earliest Vesting Date.

(b) Notwithstanding Section 3.1(a) above, upon the earliest occurrence of (i) the Optionee’s death, or (ii) a termination of the Optionee’s employment by reason of the Optionee’s Disability, the Option shall become immediately vested and exercisable with respect to 100% of the Shares subject to such unvested Option immediately prior to such event (but only to the extent such Option has not otherwise terminated, been forfeited or become exercisable).

(c) Notwithstanding Section 3.1(a) above, in the event the Optionee experiences a Qualifying Termination, the Option shall become immediately vested and exercisable on the date of such Qualifying Termination with respect to 100% of the Shares subject to such unvested Option (but only to the extent such Option has not otherwise terminated, been forfeited or become exercisable).

(d) Notwithstanding Section 3.1(a) above, in the event of the Optionee’s Retirement, that portion of the Option that would have become vested and exercisable within the one (1) year period following the Optionee’s Retirement date if the Optionee had remained employed with the Company or the applicable Service Recipient shall remain outstanding for a period of one (1) year following the Optionee’s Retirement date and shall become vested and exercisable on the anniversary of the Grant Date that falls within the one (1) year period following the Optionee’s Retirement date (but only to the extent such portion of the Option has not otherwise terminated, been forfeited or become exercisable); provided, however, that if during such one (1) year period the Optionee dies or incurs a Disability, such portion of the Option shall instead become immediately vested and exercisable (but only to the extent such portion of the Option has not otherwise terminated or been forfeited) upon such death or Disability.

(e) No Option shall become vested or exercisable as to any additional Shares following the Optionee’s termination of employment for any reason, and any Option which is unexercisable as of the Optionee’s termination of employment shall immediately terminate and be forfeited without payment therefor, in each case except as otherwise provided in Section 3.1(b), (c) or (d) above.

**Section 3.2. Expiration of Option**

The Optionee may not exercise the Option to any extent after the first to occur of the following events:

(a) The tenth anniversary of the Grant Date;

(b) The fifth anniversary of the date of the Optionee’s termination of employment with the Company and all Service Recipients by reason of Retirement;

(c) The first anniversary of the date of the Optionee's termination of employment with the Company and all Service Recipients by reason of death or Disability;

(d) The third anniversary of the date of the Optionee's Qualifying Termination;

(e) Ninety (90) days after the date of the Optionee's involuntary termination of employment by the Company and all Service Recipients without Cause that is not a Qualifying Termination;

(f) Ninety (90) days after the date of the Optionee's voluntary termination of employment with the Company and all Service Recipients by the Optionee that is not a Qualifying Termination or Disability or Retirement;

(g) Immediately upon the date of the Optionee's termination of employment by the Company and all Service Recipients with Cause;

(h) At the discretion of the Company, if the Committee so determines pursuant to Section 9 of the Plan.

#### **ARTICLE IV** **EXERCISE OF OPTION**

##### **Section 4.1. Person Eligible to Exercise**

During the lifetime of the Optionee, only the Optionee (or his or her duly authorized legal representative) may exercise the Option or any portion thereof. After the death of the Optionee, any exercisable portion of the Option may, prior to the time when the Option becomes unexercisable under Section 3.2, be exercised by the Optionee's personal representative or by any person empowered to do so under the Optionee's will or under the then applicable laws of descent and distribution.

##### **Section 4.2. Partial Exercise**

Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised in whole or in part at any time prior to the time when the Option or portion thereof becomes unexercisable under Section 3.2; provided, however, that any partial exercise shall be for whole Shares of Common Stock only.

##### **Section 4.3. Manner of Exercise**

The Option, or any exercisable portion thereof, may be exercised solely by delivering to the Secretary or his or her designee all of the following prior to the time when the Option or such portion becomes unexercisable under Section 3.2:

(a) Notice in writing signed by the Optionee or the other person then entitled to exercise the Option or portion thereof, stating that the Option or portion thereof is thereby exercised, such notice complying with all applicable rules established by the Committee;

(b) (i) Full payment (in cash or by check or by a combination thereof) for the Shares with respect to which such Option or portion thereof is exercised (provided, however, that full payment is deemed made if the Company receives cash in respect of the exercise price no later than the date on which the Company or its agent delivers or releases Shares to the Optionee or his or her agent, which date shall not be later than two (2) business days following the date on which the Option is exercised, in the event of a cashless exercise via a third party in a manner that is compliant with applicable law) or (ii) notice in writing that the Optionee elects to have the number of Shares that would otherwise be issued to the Optionee reduced by a number of Shares having an equivalent Fair Market Value to the payment that would otherwise be made by the Optionee to the Company pursuant to clause (i) of this subsection (b);

(c) (i) Full payment (in cash or by check or by a combination thereof) to satisfy the minimum withholding tax obligation with respect to which such Option or portion thereof is exercised (provided, however, that full payment is deemed made if the Company receives such payment no later than the date on which the Company must remit such withholding to the Internal Revenue Service in the event of a cashless exercise via a third party in a manner that is compliant with applicable law); (ii) notice in writing that the Optionee elects to have the number of Shares that would otherwise be issued to the Optionee reduced by a number of Shares having an equivalent Fair Market Value to the payment that would otherwise be made by the Optionee to the Company pursuant to clause (i) of this subsection (c); or (iii) notice in writing to the Company at least 10 days prior to date of exercise that the Optionee elects to pay the withholding tax obligation with previously owned Shares and, subject to all applicable rules established by the Committee, the delivery (or deemed delivery, as allowed by the Committee) on or prior to the date of exercise of such Shares having a Fair Market Value equal to the withholding amount;

(d) A bona fide written representation and agreement, in a form satisfactory to the Committee, signed by the Optionee or other person then entitled to exercise such Option or portion thereof, stating that the Shares of Common Stock are being acquired for his or her own account, for investment and without any present intention of distributing or reselling said Shares or any of them except as may be permitted under the Securities Act of 1933, as amended (the "Act"), and then applicable rules and regulations thereunder, and that the Optionee or other person then entitled to exercise such Option or portion thereof will indemnify the Company against and hold it free and harmless from any loss, damage, expense or liability resulting to the Company if any sale or distribution of the Shares by such person is contrary to the representation and agreement referred to above; provided, however, that the Committee may, in its reasonable discretion, take whatever additional actions it deems reasonably necessary to ensure the observance and performance of such representation and agreement and to effect compliance with the Act and any other federal or state securities laws or regulations; and

(e) In the event the Option or portion thereof shall be exercised pursuant to Section 4.1 by any person or persons other than the Optionee, appropriate proof of the right of such person or persons to exercise the Option.

Without limiting the generality of the foregoing, the Committee may require an opinion of counsel acceptable to it to the effect that any subsequent transfer of Shares acquired on exercise of the Option does not violate the Act, and may issue stop-transfer orders covering such Shares. Share certificates evidencing stock issued on exercise of the Option may bear an appropriate legend referring to the provisions of subsection (d) above and the agreements herein. The written representation and agreement referred to in subsection (d) above shall, however, not be required if the Shares to be issued pursuant to such exercise have been registered under the Act, and such registration is then effective in respect of such Shares.

#### **Section 4.4. Conditions to Issuance of Stock Certificates**

The Shares deliverable upon the exercise of the Option, or any portion thereof, may be either previously authorized but unissued Shares or issued Shares, which have then been reacquired by the Company. Such Shares shall be fully paid and nonassessable. The Company shall not be required to issue or deliver any certificate or certificates for Shares purchased (if certificated, or if not certificated, register the issuance of such Shares on its books and records) upon the exercise of the Option or portion thereof prior to fulfillment of all of the following conditions:

- (a) The obtaining of approval or other clearance from any state or federal governmental agency which the Committee shall, in its reasonable and good faith discretion, determine to be necessary or advisable; and
- (b) The lapse of such reasonable period of time following the exercise of the Option as the Committee may from time to time establish for reasons of administrative convenience or as may otherwise be required by applicable law.

#### **Section 4.5. Rights as Shareholder**

Except as otherwise provided in Section 2.4 of this Agreement, the holder of an Option shall not be, nor have any of the rights or privileges of, a shareholder of the Company in respect of any Shares purchasable upon the exercise of the Option or any portion thereof unless and until certificates representing such Shares shall have been issued by the Company to such holder or the Shares have otherwise been recorded in the records of the Company as owned by such holder.

### **ARTICLE V** **MISCELLANEOUS**

#### **Section 5.1. Administration**

The Committee shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Optionee, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Option. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan and this Agreement.

#### **Section 5.2. Option Not Transferable**

Neither the Option nor any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of the Optionee or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect; provided, however, that this

Section 5.2 shall not prevent transfers by will or by the applicable laws of descent and distribution or other transfers authorized in limited circumstances by the Committee (or its designee).

**Section 5.3. Notices**

Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of its Secretary or his or her designee, and any notice to be given to the Optionee shall be addressed to him or her at the last address of the Optionee known to the Company unless otherwise directed by the Optionee. By a notice given pursuant to this Section 5.3, either party may hereafter designate a different address for notices to be given to him or her. Any notice, which is required to be given to the Optionee, shall, if the Optionee is then deceased, be given to the Optionee's personal representative if such representative has previously informed the Company of his status and address by written notice under this Section 5.3. Any notice shall have been deemed duly given when (i) delivered in person; or, except for notice under Section 4.3 which must be received to be duly given, (ii) enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service, or (iii) enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with fees prepaid) in an office regularly maintained by FedEx, UPS, or comparable non-public mail carrier.

**Section 5.4. Titles; Pronouns**

Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement. The masculine pronoun shall include the feminine and neuter, and the singular the plural, where the context so indicates.

**Section 5.5. Applicability of Plan [and Management Stockholder's Agreement]**

The Option and the Shares of Common Stock issued to the Optionee upon exercise of the Option shall be subject to all of the terms and provisions of the Plan to the extent applicable to an Option and Shares. In the event of any conflict between this Agreement and the Plan, the terms of the Plan shall control. [The Option and the Shares of Common Stock issued to the Optionee upon exercise of the Option shall not be subject to, and hereby are expressly exempted from, all of the terms and provisions of any Management Stockholder's Agreement between the Optionee and the Company in existence on the Grant Date.]

**Section 5.6. Amendment**

This Agreement may only be amended pursuant to Section 10 of the Plan.

**Section 5.7. Governing Law**

The laws of the State of Delaware shall govern the interpretation, validity and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

**Section 5.8. Arbitration**

In the event of any controversy among the parties hereto arising out of, or relating to, this Agreement which cannot be settled amicably by the parties, such controversy shall be finally, exclusively and conclusively settled by mandatory arbitration conducted expeditiously in accordance with the American Arbitration Association rules, by a single independent arbitrator. Such arbitration process shall take place within the Nashville, Tennessee metropolitan area. The decision of the arbitrator shall be final and binding upon all parties hereto and shall be rendered pursuant to a written decision, which contains a detailed recital of the arbitrator's reasoning. Judgment upon the award rendered may be entered in any court having jurisdiction thereof. Each party shall bear its own legal fees and expenses, unless otherwise determined by the arbitrator.

**Section 5.9. Clawback**

As a condition of receiving the Option, the Optionee acknowledges and agrees that the Optionee's rights, payments, and benefits with respect to the Option shall be subject to any reduction, cancellation, forfeiture or recoupment, in whole or in part, upon the occurrence of certain specified events, as may be required by any rule or regulation of the Securities and Exchange Commission or by any applicable national exchange, or by any other applicable law, rule or regulation or as set forth in a separate "clawback" or recoupment policy as may be adopted from time to time by the Board or the Committee.

**Section 5.10 Signature in Counterparts**

This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

*[Signatures on next pages]*

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto.

DOLLAR GENERAL CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ADDRESS:

Dollar General Corporation  
100 Mission Ridge  
Goodlettsville, TN 37072

*[Signature Page of Stock Option Award Agreement]*



OPTIONEE:

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

*[Signature Page of Stock Option Award Agreement]*

**Schedule A to Stock Option Award Agreement**

**Grant Date:** [    ]

**Exercise Price (per Share):** \$[    ]

**Option Grant:**  
Aggregate number of Shares of Common Stock for which the  
Option granted hereunder is exercisable: [    ]

December 7, 2017

The Board of Directors and Shareholders  
Dollar General Corporation

We are aware of the incorporation by reference in the Registration Statements (Nos. 333-151047, 333-151049, 333-151655, and 333-163200 on Form S-8 and No. 333-216940 on Form S-3) of Dollar General Corporation of our report dated December 7, 2017, relating to the unaudited condensed consolidated interim financial statements of Dollar General Corporation that are included in its Form 10-Q for the quarter ended November 3, 2017.

/s/ Ernst & Young LLP  
Nashville, Tennessee

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## CERTIFICATIONS

I, Todd J. Vasos, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dollar General Corporation;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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 report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) 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
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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 officer(s) 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 the registrant's board of directors (or persons performing the equivalent functions):
  - (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.

Date: December 7, 2017

/s/ Todd J. Vasos  
\_\_\_\_\_  
Todd J. Vasos  
Chief Executive Officer

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I, John W. Garratt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dollar General Corporation;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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 report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) 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
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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 officer(s) 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 the registrant's board of directors (or persons performing the equivalent functions):
  - (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.

Date: December 7, 2017

/s/ John W. Garratt  
John W. Garratt  
Chief Financial Officer

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**CERTIFICATIONS**  
**Pursuant to 18 U.S.C. Section 1350**

Each of the undersigned hereby certifies that to his knowledge the Quarterly Report on Form 10-Q for the fiscal quarter ended November 3, 2017 of Dollar General Corporation (the "Company") filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Todd J. Vasos

Name: Todd J. Vasos  
Title: Chief Executive Officer  
Date: December 7, 2017

/s/ John W. Garratt

Name: John W. Garratt  
Title: Chief Financial Officer  
Date: December 7, 2017

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