



DATE: May 31, 2006
 TO: INTERESTED PARTIES
 FROM: Richard Galanti, EVP/CFO
 RE: **Additional Third Quarter FY 2006 Information**

The attached information is provided to address questions about Costco Wholesale Corporation's third quarter FY 2006 results (dollars in thousands):

1. What was the impact of LIFO in FY 2006? FY 2005? FY 2004?

	<u>LIFO (Income)/Expense (Pre-tax)</u> <u>(000's/% to Sales)</u>		
	<u>Fiscal 2006</u>	<u>Fiscal 2005</u>	<u>Fiscal 2004</u>
1st Quarter	\$0/0%	\$0/0%	\$0/0%
2nd Quarter	\$0/0%	\$2,500/.02%	\$0/0%
3rd Quarter	\$0/0%	\$3,500/.03%	\$5,500/.05%
4th Quarter	—	\$7,410/.05%	\$590/.00%
YTD	\$0/0%	\$13,410/.03%	\$6,090/.01%

2. Calculation of Diluted Earnings Per Share – see attached.

3. 3rd Qtr 2006 Cash Flow Statement - see attached.

4. 3rd Qtr 2006 Balance Sheet- see attached.

5. What was the effect of the Canadian and UK exchange rates for FY 2006? FY 2005? For FY 2004?

Exchange Rates	CANADA (CN vs. US)			UK(UK vs. US)		
	FY 2006	FY 2005	FY2004	FY 2006	FY 2005	FY 2004
1st Quarter	.8467	.7980	.7485	1.7761	1.8122	1.6540
2nd Quarter	.8621	.8191	.7641	1.7521	1.8988	1.7918
3rd Quarter	.8713	.8136	.7481	1.7599	1.8999	1.8251
4th Quarter	—	.8124	.7460	—	1.7997	1.8216
YTD/Total	.8600	.8106	.7510	1.7627	1.8471	1.7735

6. What was the impact of income tax rates in FY 2006? FY 2005? FY 2004?

	<u>Fiscal 2006</u>	<u>Fiscal 2005</u>	<u>Fiscal 2004</u>
1st Quarter	37.86%	37.00%	37.00%
2nd Quarter	36.11%	37.55%*	37.00%
3rd Quarter	38.93%	37.90%	37.00%
4th Quarter	—	35.80%*	37.00%
YTD/Total Year	37.53%	36.21%*	37.00%

* Before unusual items

7. Breakdown of Total and Comparable Warehouse Sales Increases:

	<u>FY 2006</u>		<u>FY 2005</u>		<u>FY 2004</u>	
	<u>Total Sales</u>	<u>Comp. Sales</u>	<u>Total Sales</u>	<u>Comp. Sales</u>	<u>Total Sales</u>	<u>Comp. Sales</u>
1st Quarter	12%	9%	10%	7%	14%	11%
2nd Quarter	11%	7%	10%	7%	14%	11%
3rd Quarter	11%	7%	10%	7%	14%	11%
4th Quarter	—	—	10%	7%	11%	8%
YTD/Total Year	11%	8%	10%	7%	13%	10%

8. Warehouse Openings for FY 2006

At the end of the third quarter of fiscal 2006, the Company operated 477 warehouses, including 350 in the United States and Puerto Rico, 68 in Canada, 17 in the United Kingdom, five in Korea, four in Taiwan, five in Japan and 28 in Mexico. Warehouse openings in FY 2006 through May 7, 2006 include the following:

<u>Date</u>		<u>Location</u>	
<u>First Qtr '06</u>		<u>Third Qtr '06</u>	
09/17/05	San Luis Obispo, CA	3/28/06	Gatineau, QB (relocation)
10/14/05	Pembroke Pines, FL	3/29/06	Sherwood Park, AB
10/21/05	Kalispell, MT (relocation)	3/30/06	NW Calgary, AB
10/26/05	LaHabra, CA	4/26/06	SW Bakersfield, CA
10/27/05	Centennial, NV	5/03/06	Mall of Georgia, GA
11/07/05	Milton Keynes, UK	5/04/06	SE Gilbert, AZ
11/10/05	Veracruz, MX	5/05/06	Lake Elsinore, CA
11/11/05	Cave Creek (Phoenix), AZ		
11/16/05	Kanata, ON		
11/17/05	Hillsboro, OR		
<u>Second Qtr '06</u>		<u>Location</u>	
11/22/05	W. Bountiful, UT		
12/01/05	Chandler, AZ		

COSTCO WHOLESALE CORPORATION
ADDITIONAL Q3 FY 2006 QUARTER INFORMATION
CALCULATION OF DILUTED EARNINGS PER SHARE

	Nov 20, 2005 1 st Qtr 12 Weeks	Feb 12, 2006 2 nd Qtr 12 Weeks	May 7, 2006 3 rd Qtr 12 Weeks	Sep 3, 2006 4 th Qtr 17 Weeks	Sep 3, 2006 YTD 53 Weeks
Net Income	\$ 215,818	\$ 296,203	235,595		\$ 747,616
Interest Add Back					
3 1/2 % Zero	1,251	592	513		2,356
Adjusted Net Income	<u>\$ 217,069</u>	<u>\$ 296,795</u>	<u>236,108</u>		<u>\$ 749,972</u>
Weighted Average Shares Outstanding	<u>477,740</u>	<u>478,103</u>	<u>477,014</u>		<u>477,532</u>
Share Add Back					
3 1/2 % Zero	8,627	4,024	3,519		5,401
Diluted Shares	<u>486,367</u>	<u>482,127</u>	<u>480,533</u>		<u>482,933</u>
E.P.S. - Diluted	<u>\$ 0.45</u>	<u>\$ 0.62</u>	<u>0.49</u>		<u>\$ 1.55</u>

COSTCO WHOLESALE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
(unaudited)

	36 Weeks Ended	
	May 7, 2006	May 8, 2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income.....	\$ 747,616	\$ 708,393
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and other non-cash items.....	343,907	329,585
Accretion of discount on zero coupon notes.....	3,762	8,939
Stock-based compensation.....	65,246	41,600
Undistributed equity earnings in joint ventures.....	(20,357)	(19,392)
Net loss on sale of property and equipment, investments and other.....	4,046	5,556
Change in deferred income taxes.....	(8,634)	2,181
Excess tax benefit from exercise of stock options.....	(31,211)	—
Change in receivables, other current assets, deferred income, accrued and other current liabilities.....	309,113	165,896
Increase in merchandise inventories.....	(346,112)	(351,358)
Increase in accounts payable.....	166,244	366,501
Total adjustments.....	<u>486,004</u>	<u>549,508</u>
Net cash provided by operating activities.....	<u>1,233,620</u>	<u>1,257,901</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment.....	(756,051)	(628,057)
Proceeds from the sale of property and equipment.....	9,366	6,636
Investment in unconsolidated joint venture.....	—	(15,000)
Purchases of short-term investments.....	(1,695,643)	(2,659,314)
Maturities of short-term investments.....	1,626,326	1,448,487
Sales of short-term investments.....	183,026	203,398
Decrease / (increase) in other assets and other, net.....	(18,258)	1,591
Net cash used in investing activities.....	<u>(651,234)</u>	<u>(1,642,259)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings, net.....	4,726	23,416
Net proceeds from issuance of long-term debt.....	12,855	5,660
Repayments of long-term debt.....	(4,051)	(2,762)
Changes in bank checks outstanding.....	14,017	129,781
Cash dividend payments.....	(108,852)	(94,827)
Change in minority interests.....	3,608	(1,783)
Excess tax benefit from exercise of stock options.....	31,211	—
Exercise of stock options.....	304,782	201,477
Repurchases of common stock.....	(911,415)	—
Conversion of convertible debentures.....	—	(2)
Net cash (used in) / provided by financing activities.....	<u>(653,119)</u>	<u>260,960</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	<u>18,596</u>	<u>25,379</u>
Net increase in cash and cash equivalents.....	(52,137)	(98,019)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>2,062,585</u>	<u>2,823,135</u>
CASH AND CASH EQUIVALENTS END OF PERIOD	<u>\$ 2,010,448</u>	<u>\$ 2,725,116</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest (excludes amounts capitalized).....	\$ 7,718	\$ 14,445
Income taxes.....	\$ 317,775	\$ 488,250

COSTCO WHOLESALE CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except par value)
(unaudited)

	<u>May 7, 2006</u>	<u>August 28, 2005</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,010,448	\$ 2,062,585
Short-term investments	1,291,304	1,397,272
Receivables, net	354,189	399,974
Merchandise inventories	4,415,889	4,014,699
Other current assets	275,303	211,908
Total current assets	<u>8,347,133</u>	<u>8,086,438</u>
PROPERTY AND EQUIPMENT		
Land	2,693,330	2,502,247
Buildings, leaseholds and land improvements	6,067,712	5,622,439
Equipment and fixtures	2,393,023	2,181,740
Construction in progress	153,305	180,604
	<u>11,307,370</u>	<u>10,487,030</u>
Less accumulated depreciation and amortization	<u>(3,033,351)</u>	<u>(2,696,838)</u>
Net property and equipment	<u>8,274,019</u>	<u>7,790,192</u>
OTHER ASSETS	663,175	637,012
	<u>\$ 17,284,327</u>	<u>\$ 16,513,642</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	\$ 60,065	\$ 54,356
Accounts payable	4,439,297	4,213,724
Accrued salaries and benefits	1,025,507	1,025,181
Accrued sales and other taxes	288,031	263,899
Deferred membership income	576,609	500,558
Current portion long-term debt	309,044	3,225
Other current liabilities	793,753	548,031
Total current liabilities	<u>7,492,306</u>	<u>6,608,974</u>
LONG-TERM DEBT, excluding current portion	229,931	710,675
DEFERRED INCOME TAXES AND OTHER LIABILITIES	261,247	254,270
Total liabilities	<u>7,983,484</u>	<u>7,573,919</u>
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST	62,222	58,614
STOCKHOLDERS' EQUITY		
Preferred stock \$.005 par value; 100,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock \$.005 par value; 900,000,000 shares authorized; 469,802,000 and 472,480,000 shares issued and outstanding	2,349	2,362
Additional paid-in capital	2,609,409	2,096,554
Other accumulated comprehensive income	265,670	158,039
Retained earnings	6,361,193	6,624,154
Total stockholders' equity	<u>9,238,621</u>	<u>8,881,109</u>
	<u>\$ 17,284,327</u>	<u>\$ 16,513,642</u>