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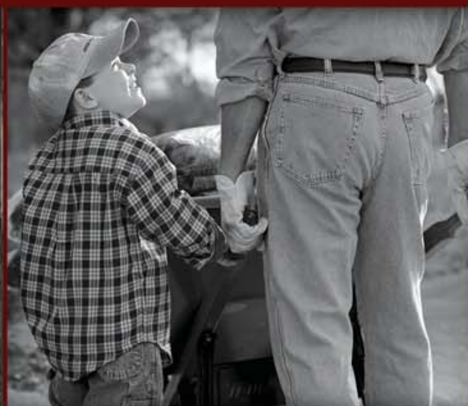
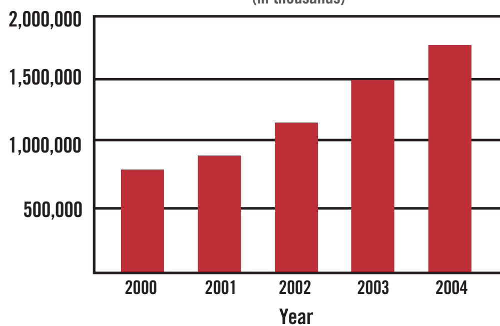


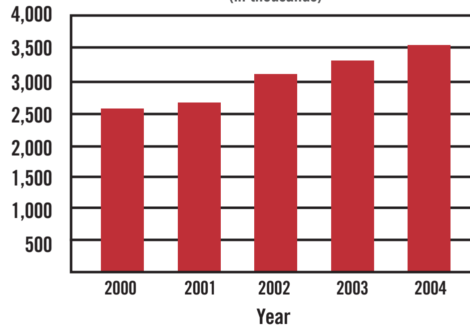
2004 ANNUAL REPORT

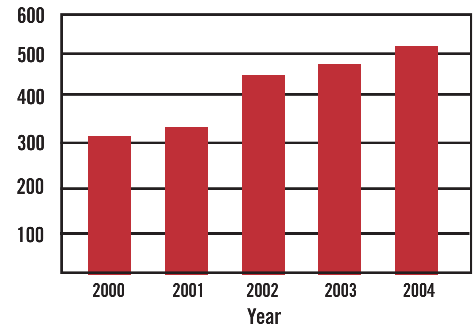
TSCO 40.15 TSCO 38.12 TSCO 42.15 TSCO 34.12 TSCO 36.14 TSCO 41.16 TSCO 44.13 TSCO 43

CORPORATE PROFILE

Tractor Supply Company is the largest operator of retail farm and ranch stores in the United States. Our focus is on supplying the lifestyle needs of recreational farmers and ranchers, and serving the maintenance needs of those who enjoy the rural lifestyle, as well as tradesmen and small businesses. Our stores are located in towns outlying major metropolitan markets and in rural communities. This niche uniquely positions us to offer a wide, yet very select, assortment of products: (1) livestock and pet care products, including everything necessary for their health, growth and containment; (2) maintenance products for agricultural and rural use; (3) hardware and tool products; (4) seasonal products, including lawn and garden power equipment; (5) truck, trailer and towing products; and (6) work clothing for the entire family.







TO OUR SHAREHOLDERS

March 2005

2004 marked yet another period of growth and financial achievement for our company. Driven by a 9.9% same-store sales increase, combined with 53 new and 20 relocated stores, sales rose 18.1% to $1.7 billion.

Accomplishments

In July, we announced a long-planned CEO succession, which became effective October 1st. As expected, the transition went extremely well. Our energized and well-aligned leadership team has continued to accelerate the pace of change. During the third quarter, we relocated our store support center from three buildings to a larger existing building. Concurrent with the move, we upgraded our information technology servers and increased our system capacity and redundancy. In addition, our new Georgia distribution center came on-line in December 2003 and was up to full efficiency by the second quarter of 2004. Our new Maryland distribution center was constructed in the second half of 2004. We also announced our decision to build a new distribution center in Nebraska in the second half of 2005. All of these initiatives are designed to sustain our growth for the next several years.

Our merchandising team continued to bring exciting and innovative new products to market. In the third quarter, we re-set 4,200 square feet in the average store. Most successful were the agricultural products, equine, pet and animal, and hardware and tools categories. While the execution was challenging, we were pleased with the incremental fourth quarter sales produced by this merchandising initiative and expect to realize further contributions from this program in the years ahead. Our three-store California test provided significant knowledge, experience, and success, some of which we believe may be exported to other regions.

Our “people engine” was further strengthened during 2004 with extensive bench building, training and staff development programs. Almost 300 store managers, assistant managers, manager trainees and others benefited from our week-long management skills seminar conducted six times in the past year. Senior management's active role in this and other training programs are critical to the development of outstanding front-line leaders.

Our real estate development capacity was increased significantly. During the year, we improved our site selection model and expanded the depth and expertise of our real estate team, enabling us to improve speed and accuracy while reducing costs. This, combined with the development of human resource talent, allowed us to open 53 new stores compared to 31 store additions in the prior year. At the same time, we positioned the Company to open 60 to 65 stores in 2005.

Challenges

While we were pleased with our annual performance, we did face certain challenges in the third quarter that caused our net income to be less than we initially anticipated. During the third quarter, we produced a 10.1% improvement in same-store sales on top of a very strong 13.7% in the prior year. However, the mix of goods as a result of certain our promotions, four hurricanes and freight costs, and our inability to quickly pass cost increases along at retail, combined to depress profits on a year-over-year basis. That said, our team responded quickly and overcame these challenges in the fourth quarter where we achieved a return to bottom line growth..

Inventory efficiency was another challenge in 2004. After three consecutive years of improving or holding our average inventory per store, we ended the year 18.7% over the prior year, partially driven by inflation. As a result, our inventory turnover was flat at 2.8 turns. While we are displeased with the results, we have now positioned ourselves to resume our long-term trend of improving inventory efficiency.

Four Years in Perspective

During the last four years, our store count has increased 69% and our sales have risen over 229%. While achieving these solid results, we increased our distribution capacity from 1,060,000 to 2,200,000 square feet. Today, 75% of our cost of goods passes through our distribution centers, compared with 65% in 2001. We have relocated 55 stores to improved locations and larger facilities. We have upgraded technology in distribution centers, merchandising, demand forecasting and replenishment areas. Our market and site selection models have become highly refined and capable of accurately predicting accurate new store sales. Our print advertising has improved in both look and

productivity, allowing us to shift a higher proportion of advertising spending to brand building via targeted television. Team member turnover has been cut by more than 50% at the store manager and hourly level as a result of our improved selection, training and "Employer of Choice" initiatives. Last year, we were recognized by ***Fortune*** magazine as number 43 of "The 100 Fastest Growing Companies" (February 6, 2004) and by ***Forbes*** magazine as one of the "Best Managed Companies in America" (January 12, 2004). While we are proud of these accomplishments and each team member who made it possible, we view all of this as preparation for the future.

The Years Ahead

The population that leads the "Out Here" lifestyle is large, underserved, large and growing, and we believe the Tractor Supply concept is the most efficient model to serve this lifestyle. Our unique combination of convenient locations, focused product assortments, scores of category-competent team members, along with our passion to serve our customers, allow us to seize market share.

There are several key drivers propelling the population growth of rural counties and, therefore, the growth of our potential customer base. America's feeder roads are better than ever, and broadband has arrived in many rural counties allowing more Americans to telecommute. Many families are leveraging real estate gains and buying much more property one or two counties out from the urban center. Smaller communities are being recognized as providing good public education and a family-centered pace of life. All of these factors are allowing people the option of living where they want and living the lifestyle they desire, while working where they need to work. We also believe Tractor Supply is well positioned as Baby Boomers begin to retire to areas they feel bring them back to their roots.

To fully leverage this opportunity, Tractor Supply remains focused on:

- Instilling an over-arching culture based on values, trust, risk-taking and speed
- Maintaining a foundation of low cost and efficiency
- Creating a great place to work (Loyal Team Members)
- Upholding our tireless passion to being a great place to shop (Loyal Customers)
- Providing a firm, fair, and great place to sell (Loyal Vendors)
- Being a company that increases profits for the long term and, therefore, a great place to invest (Loyal Shareholders)

We have identified another 800 markets ideal for Tractor Supply stores, and we are moving to realize that opportunity. Our brand has been well developed and is increasingly becoming highly recognized, particularly in the communities we serve. Our customers give us very high scores for trust and serving their needs. Our merchandising team continues to bring compelling, new products to our stores, which help drive our strong same-store sales. Our marketing team continues to improve the efficiency of all media. We have developed the infrastructure required to support rapid growth. Our management team is deep, committed and focused on sustainable growth and has proven their capacity to execute.

Tractor Supply Company celebrated its 66th year in 2004 and recorded another year of unprecedented financial achievement. Our success and growth during the most recent year are attributed to the dedication and commitment to excellence of our 7,200 loyal professionals. They continue to build a legacy in our industry while understanding that the continuing success of our brand can only be realized by adherence to our mission and core values.

We appreciate the support and input of our employees, our customers, our vendors, and our shareholders. We are proud of our heritage and pledge to use it as a spring board as we embrace the challenges of accelerated growth. We are grateful you are with us and look forward to reporting to you again as the year unfolds.

Jim Wright
President and Chief Executive Officer

Joe Scarlett
Chairman of the Board

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 25, 2004

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________ to _________ .
Commission file number 000-23314

TRACTOR SUPPLY COMPANY

(Exact Name of Registrant as Specified in Its Charter)

Delaware	13-3139732
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

200 Powell Place, Brentwood, Tennessee 37027
(Address of Principal Executive Offices, including zip code)

(615) 366-4600
(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act: None

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, $.008 par value
(Title of Class)

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).
YES X NO ____

The aggregate market value of the Common Stock held by non-affiliates of the registrant, based on the closing price of the Common Stock on The NASDAQ National Market on June 26, 2004, the last business day of the registrant's most recently completed second fiscal quarter, was $1,342,094,619. For purposes of this response, the registrant has assumed that its directors, executive officers, and beneficial owners of 5% or more of its Common Stock are the affiliates of the registrant.

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date.

Class	Outstanding at January 31, 2005
Common Stock, $.008 par value	38,329,620

TRACTOR SUPPLY COMPANY
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Portions of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on April 21, 2005 are incorporated by reference into Part III of this Form 10-K.

FORWARD-LOOKING STATEMENTS OR INFORMATION

This Form 10-K and statements included or incorporated by reference in this Form 10-K include certain historical and forward-looking information. The forward-looking statements included are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (the "Act"). All statements, other than statements of historical facts, which address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future capital expenditures (including their amount and nature), business strategy, expansion and growth of the Company's business operations and other such matters are forward-looking statements. To take advantage of the safe harbor provided by the Act, the Company is identifying certain factors that could cause actual results to differ materially from those expressed in any forward-looking statements, whether oral or written, made by or on behalf of the Company.

All phases of the Company's operations are subject to influences outside its control. Any one, or a combination, of these factors could materially affect the results of the Company's operations. These factors include general economic cycles affecting consumer spending, weather factors, operating factors affecting customer satisfaction, consumer debt levels, pricing and other competitive factors, the ability to attract, train and retain highly qualified employees, the ability to identify suitable locations and negotiate favorable lease agreements on new and relocated stores, the timing and acceptance of new products in the stores, the mix of goods sold, the continued availability of favorable credit sources, capital market conditions in general, and the seasonality of the Company's business. Forward-looking statements made by or on behalf of the Company are based on a knowledge of its business and the environment in which it operates, but because of the factors listed above, as well as other unanticipated factors, actual results could differ materially from those reflected by any forward-looking statements. Consequently, the forward-looking statements made herein are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to or effects on the Company or its business and operations. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

PART I

Item 1. Business

Overview

A predecessor of Tractor Supply Company, a Delaware corporation (the "Company"), was founded in 1938 as a catalog mail order tractor parts supplier. In 1982, the Company was formed by a group of investors through the purchase of the predecessor's assets. The group of investors included the Company's current Chairman of the Board, who is a significant stockholder. In 1994, the Company completed its initial public offering. Today, the Company is the largest operator of retail farm and ranch stores in the United States. The Company is focused on supplying the lifestyle needs of recreational farmers and ranchers and serving the maintenance needs of those who enjoy the rural lifestyle, as well as tradesmen and small businesses. Stores are located in towns outlying major metropolitan markets and in rural communities. The Company offers the following comprehensive selection of merchandise: (1) equine, pet and animal products, including items necessary for their health, care, growth and containment; (2) maintenance products for agricultural and rural use; (3) hardware and tool products; (4) seasonal products, including lawn and garden power equipment; (5) truck, trailer and towing products; and (6) work clothing for the entire family. The Company's stores currently range in size from approximately 7,000 to 23,000 square feet of inside selling space and also utilize outside selling space. Currently, the Company is developing stores utilizing one of five standard prototypes. These prototypes will typically range in size from 17,000 square feet of inside selling space to 18,700 square feet of inside selling space and all prototypes also utilize outside selling space. The Company also utilizes existing store structures which typically range in size from 17,000 to 19,000 square feet of inside selling space and also utilize outside selling space. The Company operated 515 retail farm and ranch stores in 32 states as of December 25, 2004.

Tractor Supply Company has one reportable industry segment – the operation of farm and ranch retail stores.

Seasonality and Weather

The Company's business is highly seasonal. Historically, the Company's sales and profits have been the highest in the second and fourth fiscal quarters of each year due to the sale of seasonal products. The Company typically operates at approximately break even in the first fiscal quarter of each year. Unseasonable weather, excessive rain, drought, and early or late frosts may also affect the Company's sales. The Company believes, however, that the impact of adverse weather conditions is somewhat mitigated by the geographic dispersion of its stores.

The Company experiences a buildup of inventory and accounts payable during its first fiscal quarter each year for purchases of seasonal product in anticipation of the April through June spring selling season and again during its third fiscal quarter in anticipation of the October through December winter selling season.

Business Strategy

The Company believes its sales and earnings growth has resulted from the focused execution of its business strategy, which includes the following key components:

Market Niche
The Company has identified a specialized market niche: supplying the lifestyle needs of recreational farmers and ranchers and those who enjoy the rural lifestyle, as well as tradesmen and small businesses. By focusing its product mix on these core customers, the Company believes it has differentiated itself from general merchandise, home center and other specialty retailers.

Customer Service
The Company is committed to providing superior customer service and offers its customers a high level of in-store service through motivated, well-trained store employees. The Company believes the ability of its store employees to provide friendly, responsive and seasoned advice helps to promote strong customer loyalty and repeat shopping. As such, the Company seeks to provide

store employees with decision-making authority and training to enable them to meet customer needs.

The Company endeavors to staff its stores with courteous, highly motivated employees and devotes considerable resources to training its store employees, often in cooperation with its vendors. The Company's training programs include (i) a full management training program which covers all aspects of the Company's operations, (ii) product knowledge modules produced in conjunction with key vendors, (iii) frequent management skills training classes, (iv) semi-annual store managers meetings with vendor product presentations, (v) vendor sponsored in-store training programs and (vi) ongoing product information updates from the Company's management headquarters. The Company seeks to hire and train store employees with farming and ranching backgrounds, with particular emphasis on general maintenance, equine and welding.

The Company's refund policy permits a full refund within 30 days of the date of purchase and when accompanied by a receipt. However, the Company also has a "satisfaction guaranteed" policy, such that if customers are not satisfied, store employees are authorized, at their discretion, to offer to repair or exchange the product, or to offer store credits or refunds, irrespective of when the product was purchased. The Company believes that providing these services improves customer satisfaction, builds customer loyalty and generates repeat business.

The Company offers proprietary, private label credit cards for individual retail and business customers. In addition, the Company accepts Visa, MasterCard and Discover credit cards.

Store Environment

The Company's stores are designed and managed to make shopping an enjoyable experience and maximize sales and operating efficiencies. Stores utilize several layouts, designed to provide an open environment, optimal product placement and visual display locations. In addition, these layouts allow for departmental space to be easily reallocated and visual displays to be easily changed for seasonal products and promotions. Display and product placement information is sent to stores monthly to ensure quality and uniformity among the stores. Informative signs are located throughout each store to assist customers with purchasing decisions and merchandise location. The general uniformity of the store layouts and visual displays affords the customer a feeling of familiarity and enhances the shopping experience. To further enhance the shopping experience, all store employees wear highly visible red vests, aprons or smocks and nametags, and customer service desks and checkout counters are conveniently located.

Merchandising

The Company seeks to offer a differentiated assortment of products for farmers, ranchers and rural homeowners. Its broad product assortment is tailored to meet the regional and geographic needs of each market, as well as the physical store size. The Company’s full line of product offerings is supported by a strong in-stock inventory position with an average of 12,500 to 14,500 unique products per store. No one product accounted for more than 10% of sales during any single year.

Stores carry a wide selection of high quality, nationally recognized, name brand merchandise. The Company also markets products under its private-label programs which include *Huskee* (outdoor power equipment), *Traveller* (truck/automotive products), *Retriever* and *Paws ‘n Claws* (pet foods), *Dumor* and *Producers Pride* (livestock feed), *C.E. Schmidt* (apparel), *Groundworks* (grass seed) and *Royal Wing* (bird foods). Additionally, the Company has control brands which it markets. These control brands include *Bit & Bridle* (clothing) and *Farm Hand* (air compressors). The Company believes that the availability of top quality private label products at great prices provides a superior value for its customers, a strategic advantage for the Company, and positions the Company as a destination store.

The following chart indicates the average percentages of sales represented by each of the Company's major product categories during fiscal 2004, 2003 and 2002.

Product Category	Percent of Sales		
	2004	2003	2002
Equine, Pet and Animal	32%	31%	31%
Seasonal Products	23	23	22
Hardware and Tools	18	18	18
Truck/Trailer/Tow/Lube	12	12	12
Clothing and Footwear	8	9	9
Maintenance products for agriculture and rural use	7	7	8
	100%	100%	100%

Purchasing and Distribution

The Company offers a differentiated assortment of products for those seeking to enjoy the rural lifestyle. The Company's business is not dependent upon any one vendor or particular group of vendors. The Company purchases its products from approximately 1,700 vendors, and no one vendor accounted for more than 10% of purchases during any single year. Approximately 130 vendors accounted for approximately 80% of the Company's purchases during fiscal 2004. The Company has no material long-term contractual commitments with any of its vendors, has not experienced difficulty in obtaining satisfactory alternative sources of supply for its products and believes that adequate sources of supply exist at substantially similar costs for substantially all of its products.

The Company maintains a dedicated supply chain management team to focus exclusively on all replenishment and forecasting functions. This centralized direction permits the buying team to focus more strategic attention toward vendor line reviews, assortment planning and testing of more new products and programs. Through the combined efforts of these teams, the Company expects to continually improve overall inventory productivity and in-stock position.

Over 98% of the Company's purchase orders are transmitted through an electronic data interchange ("EDI") system, and approximately 81% of merchandise vendor invoices are transmitted through EDI. The Company is expanding the percentage of vendors who transmit invoices to the Company and increasing the amount of sales history transmitted from the Company, all through EDI. The Company's supply chain process is centrally managed.

The Company owns and operates an 800,000 square foot distribution center in Pendleton, Indiana, a 360,000 square foot distribution center in Waco, Texas, and a new 480,000 square foot distribution center in Hagerstown, Maryland, and leases a 410,000 square foot distribution center in Braselton, Georgia, and a 150,000 square foot distribution center in Omaha, Nebraska. The Pendleton distribution center includes a 250,000 square foot expansion completed in late fiscal 2004. The new facility in Hagerstown, Maryland, which became operational in January 2005, is strategically located in the Northeast to optimize transportation efficiencies with surrounding vendors and stores. In fiscal 2004, the Company received approximately 75% of its merchandise through these distribution facilities, with the balance delivered directly to the stores. The Company is continuously evaluating its long-term strategic plan with respect to its distribution centers and transportation operations and currently plans to close its facility in Omaha, Nebraska. The Company will construct and open a new facility (approximately 400,000 square foot) in Waverly, Nebraska. With the opening of the Waverly facility (to be completed by the end of the fourth quarter of fiscal 2005), the Company's distribution capacity is expected to be adequate to support 900 stores.

At the end of 2004, the Company broadened its in-house resources to accommodate management of all inbound freight. This decision ended the previous arrangement whereby UPS Supply Chain Solutions ("UPS") managed inbound freight. The change is intended to lower cost and provide better control over freight management. As part of the change, the Company began using systems provided by Nistevo Collaborative Network Solutions to manage inbound freight with over 400 vendors. UPS continues to manage a large portion of the dedicated fleet that provides deliveries from distribution centers to stores. UPS is responsible for providing the tractors and drivers used in the Company's dedicated fleet.

Marketing
The Company utilizes an "everyday low prices" strategy to consistently offer its products at competitive prices. The Company regularly monitors prices at competing stores and adjusts its prices as necessary. The Company believes that by avoiding a "sale" oriented marketing strategy, it is attracting customers on a regular basis rather than only in response to sales.

To generate store traffic and position itself as a destination store, the Company promotes broad selections of merchandise, primarily advertised at the regular everyday low price, with color circulars. The Company also runs periodic special events promoted through circulars and direct mail advertising. The Company enhances its print marketing and advertising programs through the expanded use of national cable and local network television. Due to the geographic dispersion of the Company's stores, the use of national cable advertising is generally more cost-effective and additionally serves to promote the Company in advance of entering a new market.

The Company's vendors realize the value of the Company being a destination store. Due to the relatively small size of its stores, increased traffic in the store ensures increased exposure to most products. The Company's vendors are committed to helping the Company promote its brand and position itself as a destination store. Vendors provide assistance with product presentation and rack design, brochures, point of purchase materials for customers' education and product education for employees. Vendors also provide additional funding through minimum contributions and incentives on purchases for new and relocated stores. The Company also earns rebates from many vendors on inventory purchases based on volume.

Competition
The Company operates in a highly competitive market. The principal competitive factors include location of stores, price and quality of merchandise, in-stock consistency, merchandise assortment and presentation, and customer service. The Company believes it has successfully differentiated itself from general merchandise, home center retailers and other specialty and discount retailers by focusing on its specialized market niche (i.e., supplying the lifestyle needs of recreational farmers and ranchers, and those who enjoy the rural lifestyle, as well as tradesmen and small businesses). However, the Company does face select competition from these entities, as well as competition from independently owned retail farm and ranch stores, numerous privately-held regional farm store chains and farm cooperatives. Some of these competitors are units of large national or regional chains that have substantially greater financial and other resources than the Company.

Management and Employees
As of December 25, 2004, the Company employed approximately 4,200 full-time and approximately 3,000 part-time employees. The Company also employs additional part-time employees during peak periods. Approximately 40 employees of the Company's Omaha, Nebraska distribution center were covered by a collective bargaining agreement which expires in July 2005.

Management believes its district managers, store managers and other distribution and support personnel have contributed significantly to the Company's performance. The Company utilizes an internal advisory board comprised of store managers. This group brings a grassroots perspective to operational initiatives and generates chain-wide endorsement of proposed "best-practice" solutions. The Company has implemented numerous best practice teams (comprised of employees from all divisions of the Company) to evaluate key operations of the Company and recommend process changes that will both improve efficiency and strengthen controls. Management encourages the participation of all employees in decision-making, regularly solicits input and suggestions from employees and responds to the suggestions expressed by employees.

All employees participate in one of various incentive programs, which provide the opportunity to receive additional compensation based upon individual performance and the Company's success and profitability. The Company also provides employees the opportunity to participate in an employee stock purchase plan and a 401(k) retirement plan (the Company participates in the 401(k) plan through a cash match). Additionally, the Company shares in the cost of health insurance provided to its employees, and employees receive a discount on merchandise purchased at the Company's stores.

Management also encourages a "promote from within" environment when internal resources permit. The Company maintains internal leadership development programs designed to mentor high-track employees for continued progress at a fast pace. Two of the five members of the Company's senior management, most of the Company's district managers and a significant portion of the Company's store managers were promoted to their positions from within the Company. All executive officers have at least 18 years of business experience. District managers and store managers have an average length of service with the Company of approximately five years. Management believes internal promotions coupled with the hiring of individuals with previous retail experience will provide the management structure necessary to support expected store growth. Management believes it has satisfactory relationships with its employees.

Management Information and Control Systems

The Company has invested considerable resources in sophisticated management information and control systems to ensure superior customer service, support the purchase and distribution of merchandise and improve operating efficiencies. The management information and control systems include a point-of-sale system (with communications via a frame relay network to the Company's primary systems), a supply chain management and replenishment system, a vendor purchase order control system and a merchandise presentation system. These systems are integrated and track merchandise from order through sale. All data from these systems are integrated with the Company's financial systems.

The Company utilizes a cross-functional committee comprised of members of management from key departments within the Company to align the activities and deliverables of the Information Technology department with the overall Company mission and with the goals of improving the level of service provided to the Company's customers and creating efficiencies within the Company's operations and supply chain. The committee evaluates requests for information technology resources and prioritizes projects to ensure greatest benefit to the Company.

The Company continues to evaluate and improve the functionality of its systems to maximize their effectiveness. Such efforts will include an ongoing evaluation of the optimal software configuration (including system enhancements and upgrades) as well as the adequacy of the underlying hardware components. These efforts are directed toward constantly improving the overall business processes and achieving the most efficient and effective use of the system to manage the Company's operations.

Growth Strategy

The Company's current and long-term growth strategy is built on a combination of (1) expanded geographic market presence, achieved through the opening of new retail stores, (2) enhanced financial performance through same-store sales increases, achieved through aggressive merchandising programs with an "everyday low prices" philosophy, supported by strong customer service, and (3) leveraging operating costs, especially advertising and distribution.

The Company has experienced considerable growth in recent years, including the addition of 113 stores in fiscal 2002 (including a single acquisition of 87 stores), 31 in fiscal 2003 and 53 in fiscal 2004. This growth has increased the Company's market presence in the Southwest, primarily in Texas; in the Southeast, primarily in Florida; in the central northern part of the United States, primarily in Ohio, Michigan and Indiana; and in the Northeast, primarily in New York and Pennsylvania. During fiscal 2004, the Company opened its first stores in Connecticut and California. The Company operated 515 stores in 32 states as of December 25, 2004 and has plans to open 60 to 65 stores in fiscal 2005 and 70 to 76 stores in fiscal 2006. The Company has developed a formal site selection process and has identified over 800 potential additional markets for new stores in the United States. In addition, the Company continues to identify opportunities to relocate existing stores.

The Company's strategy is generally to lease its new stores. At December 25, 2004, 456 of the Company's 515 stores were leased. Assuming that new stores were leased, the average estimated cash required to open a new store in fiscal 2004 was approximately $750,000 to $1,100,000, the majority of which was for initial acquisition of inventory and capital expenditures (principally leasehold improvements and fixtures and equipment), and approximately $70,000 of which was for pre-opening costs. The store leases typically have initial terms of between 10 and 15 years, with two to four renewal periods of five years each, exercisable at the Company's option.

The Company plans to relocate a total of 20 to 25 stores in fiscal 2005 and approximately 20 additional stores each year over the next several years. Store relocations are typically undertaken to move small, older stores to full-size formats in improved retail areas. The Company has relocated 55 stores since 2001. Management recognizes certain properties have declined in physical appearance and, in certain markets, the retail and traffic flows are shifting. Through relocations, the Company is able to keep much of its existing loyal customer base but expand its overall reach to new customers, thereby growing the business. The cash required to complete a store relocation typically ranged from $300,000 to $600,000 in fiscal 2004, depending on whether the Company was responsible for any renovation or remodeling costs.

Additional Information

The Company files reports with the Securities and Exchange Commission ("SEC"), including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other reports as required. The public may read and copy any materials the Company files with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The Company is an electronic filer and the SEC maintains an Internet site at www.sec.gov that contains the reports, proxy and information statements, and other information filed electronically.

The Company makes available free of charge through its Internet website, www.myTSCstore.com, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. The information provided on the website is not part of this report, and is therefore not incorporated by reference unless such information is otherwise specifically referenced elsewhere in this report.

The Company has posted its code of ethics that is applicable to all employees, including the Company's Chief Executive Officer, Chief Financial Officer and Controller, along with its Corporate Governance Guidelines and the charters of its Audit, Compensation and Corporate Governance Committees of the Board of Directors on the Company's website at www.myTSCstore.com.

Item 2. Properties

At December 25, 2004, the Company operated 515 stores in 32 states. The Company leases more than 88% of its stores, two of its five distribution centers and its management headquarters. The store leases typically have initial terms of between 10 and 15 years, with two to four renewal periods of five years each, exercisable at the Company's option. None of the store leases is individually material to the Company's operations.

Following is a table of store locations by state:

State	Number of Stores	State	Number of Stores
Texas	70	Arkansas	8
Ohio	63	Oklahoma	8
Michigan	49	Missouri	7
Tennessee	34	North Dakota	7
Indiana	31	Nebraska	7
Pennsylvania	30	West Virginia	7
Florida	29	Minnesota	5
New York	27	South Dakota	5
Kentucky	21	Alabama	4
North Carolina	20	Maryland	4
Virginia	19	Wisconsin	4
Iowa	10	California	3
South Carolina	10	Connecticut	2
Georgia	9	Mississippi	2
Illinois	9	Delaware	1
Kansas	9	Montana	1
		Total	515

Item 3. Legal Proceedings

In July 2004, a purported shareholder derivative lawsuit was filed in the Chancery Court for Davidson County, Tennessee by the Hawaii Laborers Pension Plan against each of the Company's directors, certain of its officers and one former director. The Company was named as a nominal defendant. On September 17, 2004, the plaintiff filed an amended complaint which alleged breaches of fiduciary duty, acts of bad faith, abuse of control, mismanagement, waste of corporate assets, unjust enrichment and other violations of Tennessee law relating to the preparation of the Company's financial statements. The amended complaint sought, on behalf of the Company, unspecified damages, a constructive trust on certain of the defendant's proceeds from selling Company stock, injunctive relief, restitution, the plaintiff's costs and disbursements and such other relief as the Court deemed proper.

On October 8, 2004, the Company moved to dismiss the amended complaint for failure to make a pre-suit demand on the Board of Directors. On December 3, 2004, the Court granted the Company's motion to dismiss and ordered that all claims in the amended complaint be dismissed without prejudice. On February 17, 2005, the Court entered an order denying a motion by the plaintiff to alter or amend the December 3, 2004 order and judgment dismissing the amended complaint. The plaintiff has until March 21, 2005 to file a notice of appeal of the order.

The Audit Committee of the Board of Directors has completed its previously disclosed investigation of the allegations set forth in the derivative lawsuit. The Audit Committee was assisted in its investigation by independent legal counsel and accountants retained by legal counsel. The Audit Committee and its advisors undertook a detailed review of certain accounting and financial statement issues from fiscal year 1999 through fiscal year 2004, including examination of the Company's accounting accruals and reserves for inventory, employee bonuses, payroll-related liabilities and vendor credits. As more fully explained in Note 16 to the consolidated financial statements, the Audit Committee reported the results of its investigation to the Board of Directors and reviewed its findings with management.

Following the December 2004 dismissal of the derivative suit, attorneys representing the plaintiff in the shareholder derivative suit wrote the Company's Board of Directors demanding that the Company commence legal proceedings against the directors and officers whom the plaintiff had unsuccessfully sued for essentially the same matters alleged in the derivative suit. The Company's Board of Directors engaged the independent legal counsel and legal counsel retained the accountants which assisted the Audit Committee in its investigation to advise the Board with respect to the demand. Following a review of the investigation of the allegations set forth in the demand letter and the derivative suit, the non-employee members of the Company's Board of Directors determined that the claims proposed in the demand letter and derivative suit have no merit and that pursuing such claims would not be in the best interests of the Company. Based on this determination, the Company's Board of Directors refused the shareholder's demand to pursue legal action.

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

No matter was submitted to a vote of the Company's security-holders during the fourth quarter of the Company's fiscal year ended December 25, 2004.

Executive Officers of the Registrant

Pursuant to General Instruction G(3) of Form 10-K, the following list is included as an unnumbered item in Part I of this Report in lieu of being included in the Proxy Statement for the Annual Meeting of Stockholders to be held on April 21, 2005.

The following is a list of the names and ages of all executive officers of the registrant, indicating all positions and offices with the registrant held by each such person and each person's principal occupations and employment during at least the past five years:

Name	Position	Age
Joseph H. Scarlett, Jr.	Chairman of the Board	62
James F. Wright.............................	President, Chief Executive Officer and Director	55
Calvin B. Massmann......................	Senior Vice President-Chief Financial Officer and Treasurer	61
Gerald W. Brase	Senior Vice President-Merchandising	51
Stanley L. Ruta	Senior Vice President-Store Operations	53

Joseph H. Scarlett, Jr. has served as Chairman of the Board since 1993 and was Chief Executive Officer of the Company from 1993 through September 2004, having previously served as President and Chief Operating Officer of the Company from 1987 to 1993. Mr. Scarlett has served as a director of the Company since 1982.

James F. Wright has served as President and Chief Executive Officer of the Company since October 2004. Mr. Wright previously served as President and Chief Operating Officer of the Company from October 2000 to October 2004, and as President and Chief Executive Officer of Tire Kingdom, a tire and automotive services retailer, from May 1997 to June 2000. Mr. Wright has served as a director of the Company since 2002.

Calvin B. Massmann has served as Senior Vice President-Chief Financial Officer and Treasurer since January 2000.

Gerald W. Brase has served as Senior Vice President-Merchandising of the Company since September 1997.

Stanley L. Ruta has served as Senior Vice President-Store Operations since June 2000, after having served as Vice President-Store Operations of the Company since 1994.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

The Company's Common Stock trades on The NASDAQ National Market under the symbol "TSCO".

The table below sets forth the high and low sales prices of the Company's Common Stock as reported by The NASDAQ National Market (as adjusted for a 2:1 stock split effective August 21, 2003) for each fiscal quarter of the periods indicated:

	Price Range			
	2004		2003	
	High	Low	High	Low
First Quarter	$ 45.82	$ 37.30	$ 22.03	$ 14.69
Second Quarter	$ 42.97	$ 33.38	$ 26.60	$ 16.14
Third Quarter	$ 42.13	$ 32.30	$ 38.10	$ 23.03
Fourth Quarter	$ 36.99	$ 30.24	$ 44.87	$ 31.35

As of January 31, 2005, the approximate number of record-holders of the Company's Common Stock was 150 (excluding individual participants in nominee security position listings), and the estimated number of beneficial holders of the Company's Common Stock was 17,000.

The Company has not declared any cash dividends on its Common Stock during the two most recent fiscal years. The Company currently intends to retain all earnings for future operation and expansion of its business and, therefore, does not anticipate that any dividends will be declared on the Common Stock in the foreseeable future. Any future declaration of dividends will be subject to the discretion of the Company's Board of Directors and subject to the Company's results of operations, financial condition, cash requirements and other factors deemed relevant by the Board of Directors.

There were no stock repurchases by the Company in the fourth quarter of fiscal 2004.

Item 6. Selected Financial Data

FIVE YEAR SELECTED FINANCIAL AND OPERATING HIGHLIGHTS

The following selected financial data are derived from the consolidated financial statements of the Company. Fiscal years 2000 through 2003 have been restated to reflect adjustments that are further discussed in Note 2, "Restatement of Financial Statements," in the Notes to Consolidated Financial Statements which are included in Item 8, "Financial Statements and Supplementary Data" of this Form 10-K. The Company's fiscal year includes 52 or 53 weeks and ends on the last Saturday of the calendar year. References to fiscal year mean the year in which that fiscal year ended. All fiscal years presented below contain 52 weeks. The following table provides summary historical financial information for the periods ended and as of the dates indicated (in thousands, except per share and selected operating data):

	2004	2003	2002	2001	2000
Operating Results:					
Net sales	$ 1,738,843	$ 1,472,885	$ 1,209,990	$ 849,799	$ 759,037
Gross margin	524,687	448,900	342,187	228,344	200,407
Selling, general and administrative expenses	395,955	331,630	259,733	177,916	156,673
Depreciation and amortization	27,186	21,597	17,970	12,092	10,663
Income from operations	101,546	95,673	64,484	38,336	33,071
Interest expense, net	1,440	3,444	4,707	4,494	6,387
Unusual item: gain on life insurance	--	--	--	2,173	--
Income before income taxes and cumulative effect of accounting change	100,106	92,229	59,777	36,015	26,684
Income tax provision	36,037	34,647	21,612	10,746	10,835
Net income before cumulative effect of accounting change	64,069	57,582	38,165	25,269	15,849
Cumulative effect of accounting change, net of income taxes [(a)]	--	(1,888)	--	--	--
Net income	$ 64,069	$ 55,694	$ 38,165	$ 25,269	$ 15,849
Net income per share – basic, before cumulative effect of change in accounting principle [(b)]	$ 1.68	$ 1.55	$ 1.06	$ 0.72	$ 0.45
Cumulative effect of accounting change, net of income taxes	--	(0.05)	--	--	--
Net income per share – basic, after cumulative effect of change in accounting principle	$ 1.68	$ 1.50	$ 1.06	$ 0.72	$ 0.45
Net income per share – assuming dilution before cumulative effect of change in accounting principle [(b)]	$ 1.57	$ 1.43	$ 0.97	$ 0.70	$ 0.45
Cumulative effect of accounting change, net of income taxes	--	(0.05)	--	--	--
Net income per share – assuming dilution, after cumulative effect of change in accounting principle	$ 1.57	$ 1.38	$ 0.97	$ 0.70	$ 0.45
Adjusted weighted average shares for dilutive earnings per share	40,689	40,271	39,277	36,163	35,121
Dividends per share	--	--	--	--	--
Operating Data (percent of net sales):					
Gross margin	30.2%	30.5%	28.3%	26.9%	26.4%
Selling, general and administrative expenses	22.8%	22.5%	21.5%	20.9%	20.6%
Income from operations	5.8%	6.5%	5.3%	4.5%	4.4%
Net income before cumulative effect of change in accounting principle	3.7%	3.9%	3.1%	3.0%	2.1%

	2004	2003	2002	2001	2000
Pro-forma amounts, assuming the change in accounting principle is applied retroactively [c]:					
Gross margin	$ 524,687	$ 448,900	$ 373,895	$ 247,364	$ 216,282
Selling, general and administrative expenses	395,955	331,630	293,132	197,003	172,803
Income from operations	101,546	95,673	62,793	38,269	32,816
Net income	64,069	57,582	37,085	25,227	15,698
Net income per share – basic	$ 1.68	$ 1.55	$ 1.03	$ 0.71	$ 0.45
Net income per share – assuming dilution	$ 1.57	$ 1.43	$ 0.94	$ 0.70	$ 0.45
Pro-forma operating data assuming the change in accounting principle is applied retroactively (percent to sales[c]):					
Gross margin	30.2%	30.5%	30.9%	29.1%	28.5%
Selling, general and administrative expenses	22.8%	22.5%	24.2%	23.2%	22.8%
Income from operations	5.8%	6.5%	5.2%	4.5%	4.3%
Net income	3.7%	3.9%	3.1%	3.0%	2.1%
Number of Stores:					
Beginning of year	463	433	323	305	273
New stores opened	53	31	113	18	35
Closed stores	(1)	(1)	(3)	--	(3)
End of year	515	463	433	323	305
Number of stores relocated during year	20	18	16	1	1
Number of stores remodeled [d]	5	3	8	4	--
Capital expenditures	$ 92,989	$ 49,982	$ 67,094	$ 14,464	$ 18,953
Same-store sales increase [e]	9.9%	7.0%	9.6%	3.8%	0.4%
Average sales per store (000's) [f]	$ 3,568	$ 3,255	$ 3,045	$ 2,699	$ 2,603
Average ticket	$ 39.83	$ 38.05	$ 37.95	$ 37.87	$ 37.67
Average number of daily transactions per store	248	237	222	197	191
Total employees	7,200	6,400	6,000	4,200	4,000
Balance Sheet Data (at end of period):					
Working capital	$ 216,809	$ 181,225	$ 143,655	$ 124,580	$ 135,404
Total assets	678,485	538,270	462,857	342,935	336,376
Long-term debt, less current portion [g]	34,744	21,210	35,705	23,157	62,950
Stockholders' equity	370,584	290,991	224,262	178,315	152,560

(a) The Company adopted Emerging Issues Task Force No. 02-16 ("EITF 02-16") which changed its method of accounting for consideration received from vendors whereby such consideration is considered a reduction of inventory cost as opposed to a reduction of selling, general and administrative costs. As a result, the Company recorded a non-cash charge of $1.9 million, net of income tax, in the first quarter of fiscal 2003 for the cumulative effect of the change on fiscal years prior to fiscal 2003.

(b) Basic net income per share is calculated based on the weighted average number of common shares outstanding applied to net income. Diluted net income per share is calculated using the treasury stock method for options and warrants. All share and per share data have been adjusted for stock splits.

(c) The pro-forma results provide a summary of gross margin, selling, general and administrative expenses and net income as if the adoption of EITF 02-16 had occurred prior to December 30, 2000. See Note 3 to Consolidated Financial Statements for further information.

(d) Reflects remodelings costing more than $150,000.

(e) Same-store sales increases are calculated on an annual basis, excluding relocations, using all stores open at least one year.

(f) Average sales per store are calculated based on the weighted average number of days open in the applicable period.

(g) Long-term debt includes borrowings under the Company's revolving credit agreement and term loan agreement and amounts outstanding under its capital lease obligations, excluding the current portions of each.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Company is the largest operator of retail farm and ranch stores in the United States, focused on supplying the lifestyle needs of recreational farmers and ranchers and those who enjoy the rural lifestyle, as well as tradesmen and small businesses. Stores are located in towns outlying major metropolitan markets and in rural communities. The Company offers the following comprehensive selection of merchandise: (1) equine, pet and animal products, including items necessary for their health, care, growth and containment; (2) maintenance products for agricultural and rural use; (3) hardware and tool products; (4) seasonal products, including lawn and garden power equipment; (5) truck, trailer and towing products; and (6) work clothing for the entire family. The Company's stores currently range in size from approximately 7,000 to 23,000 square feet of inside selling space and also utilize outside selling space. Currently, the Company is developing stores utilizing one of five standard prototypes. These prototypes typically range in size from 17,000 square feet of inside selling space to 18,700 square feet of inside selling space and all prototypes utilize outside selling space. The Company also utilizes existing store structures which typically range in size from 17,000 to 19,000 square feet of inside selling space and also utilize outside selling space. The Company operated 515 retail farm and ranch stores in 32 states as of December 25, 2004.

The fiscal year of the Company includes 52 or 53 weeks and ends on the last Saturday of the calendar year. References to fiscal year mean the year in which that fiscal year began. Each of the fiscal years ended December 25, 2004, December 27, 2003 and December 28, 2002 contain 52 weeks. (Fiscal 2005 will be a 53-week year.)

The Company's current and long-term growth strategy is to (1) expand geographic market presence, through opening new retail stores, (2) enhance financial performance through same-store sales increases, achieved through aggressive merchandising programs with an "everyday low prices" philosophy, supported by strong customer service, and (3) leverage operating costs, especially advertising and distribution.

The Company has experienced considerable growth in recent years, including the addition of 113 stores in fiscal 2002, including a single acquisition of 87 stores, 31 in fiscal 2003 and 53 in fiscal 2004. This growth has increased the Company's market presence in the Southwest, primarily in Texas; in the Southeast, primarily in Florida; in the central northern part of the United States, primarily in Ohio, Michigan and Indiana; and in the Northeast, primarily in New York and Pennsylvania. During fiscal 2004, the Company opened its first stores in Connecticut and California. The Company operated 515 stores in 32 states as of December 25, 2004 and has plans to open 60 to 65 stores in fiscal 2005 and 70 to 76 stores in fiscal 2006. The Company believes it has developed a proven method for selecting store sites and has identified over 800 potential additional markets for new stores in the United States. In addition, the Company continues to identify opportunities to relocate existing stores. The Company plans to relocate a total of 20 to 25 stores in fiscal 2005 and additional stores each year over the next several years. Store relocations are typically undertaken to move small, older stores to full-size formats in improved retail areas. The Company has relocated 55 stores since 2001.

The Company has placed significant emphasis on its merchandising programs, evaluating the sales and profitability of its products through detailed line reviews, review of vendor performance measures and modification of the overall product offerings. These efforts, coupled with a strong marketing program and in-depth product knowledge training of store employees, have enhanced sales and financial performance.

Restatement of Financial Statements

On February 7, 2005, the Office of the Chief Accountant of the Securities and Exchange Commission ("SEC") issued a letter to the American Institute of Certified Public Accountants expressing its views regarding certain operating lease accounting issues and their application under generally accepted accounting principles ("GAAP"). In light of this letter, the Company's management initiated a review of its lease-related accounting methods and determined that the Company's methods of accounting for (1) amortization of leasehold improvements, (2) leasehold improvements funded by landlord incentives and (3) rent expense prior to commencement of operations and rent payments, while in line with common industry practice, were not in accordance with GAAP. As a result, the Company restated its consolidated financial statements for each of the fiscal years ended December 27, 2003 and December 28, 2002, and the first three quarters of fiscal 2004 included in this Report.

Previously, the Company had amortized its leasehold improvements over the shorter of (1) the estimated life of the asset, or (2) the lease term, including the first five-year renewal option for initial term leases of 10 years or less. Management determined that the appropriate interpretation of the lease term under Statement of Financial Accounting Standards No. 13, "Accounting for Leases," ("SFAS 13") is the sum of the fixed noncancellable term and any options where, at the inception of the lease, renewal is reasonably assured. Management determined that renewal of the majority of lease terms associated with leasehold improvements whose useful lives included the option period, while expected, were not reasonably assured under SFAS 13. Accordingly, the Company accelerated the amortization of those leasehold improvements to coincide with the end of the fixed noncancellable term of the lease.

Additionally, the Company had historically accounted for leasehold improvements funded by landlord incentives as reductions in the cost of the related leasehold improvements reflected in the consolidated balance sheets and the capital expenditures reflected in investing activities in the consolidated statements of cash flows. Management determined that the appropriate interpretation of Financial Accounting Standards Board Technical Bulletin No. 88-1, "Issues Relating to Accounting for Leases," requires these incentives to be recorded as deferred rent liabilities in the consolidated balance sheets and as a component of operating activities in the consolidated statements of cash flows. Additionally, this adjustment resulted in a reclassification of the deferred rent amortization from depreciation and amortization expense to selling, general and administrative expenses in the consolidated statements of income and included as an additional cost component of capital expenditures in investing activities in the consolidated statements of cash flows.

Finally, the Company had historically recognized rent holiday periods on a straight-line basis over the lease term commencing on the related retail store opening date. The store opening date coincides with the commencement of business operations, which is the intended use of the property. Management re-evaluated Financial Accounting Standards Board Technical Bulletin No. 85-3, "Accounting for Operating Leases with Scheduled Rent Increases," and determined that, consistent with the letter issued by the Office of the Chief Accountant, the lease term should include the pre-opening period of construction, renovation, fixturing and merchandise placement (typically two to six months prior to store opening). The correction of this error requires the Company to record additional deferred rent in other accrued expenses and other long-term liabilities and to adjust retained earnings in the consolidated balance sheets, as well as to restate rent expense in selling, general and administrative expenses in the consolidated statements of income.

The cumulative effect of these corrections is a reduction to retained earnings of $3.0 million (net of taxes of $1.7 million) as of the beginning of fiscal 2002 and reductions to retained earnings of $1.3 million (net of taxes of $0.8 million), $0.8 million (net of taxes of $0.4 million) and $0.6 million (net of taxes of $0.4 million) for the fiscal years ended 2004, 2003 and 2002, respectively. These adjustments did not have any impact on the overall cash flows of the Company.

See Note 2 to the consolidated financial statements for a summary of the effects of this restatement on the Company's consolidated balance sheet as of December 27, 2003, as well as the Company's consolidated statements of income and cash flows for fiscal years 2003 and 2002. The accompanying discussion in Management's Discussion and Analysis of Financial Condition and Results of Operations gives effect to these corrections.

Seasonality and Weather

The Company's business is highly seasonal. Historically, the Company's sales and profits have been the highest in the second and fourth fiscal quarters of each year due to the sale of seasonal products. The Company typically operates at approximately break even in the first fiscal quarter of each year. Unseasonable weather, excessive rain, drought, and early or late frosts may also affect the Company's sales. The Company believes, however, that the impact of adverse weather conditions is somewhat mitigated by the geographic dispersion of its stores.

The Company experiences a buildup of inventory and accounts payable during its first fiscal quarter each year for purchases of seasonal product in anticipation of the April through June spring selling season and again during its third fiscal quarter in anticipation of the October through December winter selling season.

Significant Accounting Policies and Estimates

Management's discussion and analysis of the Company's financial position and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make informed estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Company's significant accounting policies, including areas of critical management judgments and estimates, have primary impact on the following financial statement areas:

- Inventory valuation
- Sales returns
- Self insurance

The Company's critical accounting policies are subject to judgments and uncertainties, which affect the application of such policies. (See Note 1 to the Notes to the Consolidated Financial Statements contained in this report for a discussion of the Company's critical accounting policies.) The Company's financial position and/or results of operations may be materially different when reported under different conditions or when using different assumptions in the application of such policies. In the event estimates or assumptions prove to be different from actual amounts, adjustments are made in subsequent periods to reflect more current information.

Quarterly Financial Data

As more fully discussed in Note 2 to the consolidated financial statements, the Company changed its accounting methods for the amortization of leasehold improvements, leasehold improvements funded by landlord incentives, and rent expense prior to commencement of operations and rent payments. The Company's unaudited quarterly operating results for each fiscal quarter of 2004 and 2003, restated to reflect this change, are shown below (in thousands, except per share amounts):

2004	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	$ 330,554	$ 525,919	$ 426,384	$ 455,986	$1,738,843
Gross margin	99,169	160,543	119,576	145,399	524,687
Income from operations	5,887	49,241	12,128	34,290	101,546
Net income	3,445	31,004	7,612	22,008	64,069
Net income per share:					
Basic	$ 0.09	$ 0.81	$ 0.20	$ 0.58	$ 1.68
Diluted	$ 0.08	$ 0.76	$ 0.19	$ 0.54	$ 1.57
Same-store sales increase	12.4%	10.0%	10.1%	7.7%	9.9%

2003	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	$ 273,760	$ 449,391	$ 361,204	$ 388,530	$1,472,885
Gross margin	80,797	136,292	109,233	122,578	448,900
Income from operations	3,957	43,759	19,626	28,331	95,673
Net income before cumulative effect of accounting change	1,858	27,121	11,900	16,703	57,582
Net income including cumulative effect of accounting change	(30)	27,121	11,900	16,703	55,694
Net income per share, before cumulative effect of accounting change:					
Basic	$ 0.05	$ 0.73	$ 0.32	$ 0.45	$ 1.55
Diluted	$ 0.05	$ 0.68	$ 0.29	$ 0.41	$ 1.43
Net income per share, including cumulative effect of accounting change:					
Basic	$ 0.00	$ 0.73	$ 0.32	$ 0.45	$ 1.50
Diluted	$ 0.00	$ 0.68	$ 0.29	$ 0.41	$ 1.38
Same-store sales increase	3.9%	1.2%	13.7%	9.6%	7.0%

The previously reported unaudited quarterly operating results for each fiscal quarter of 2004 and 2003 are shown below (in thousands, except per share amounts):

2004	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Total**
Net sales	$ 330,554	$ 525,919	$ 426,384	$ 455,986	$1,738,843
Gross margin	99,169	160,543	119,576	145,399	524,687
Income from operations	6,475	49,823	12,660	34,711	103,669
Net income	3,821	31,376	7,952	22,257	65,406
Net income per share:					
Basic	$ 0.10	$ 0.82	$ 0.21	$ 0.58	$ 1.71
Diluted[(a)]	$ 0.09	$ 0.77	$ 0.20	$ 0.55	$ 1.61
Same-store sales increase	12.4%	10.0%	10.1%	7.7%	9.9%

(a) Due to a miscalculation in the determination of diluted shares, the Company previously reported diluted shares of 41,812,000, 41,828,000 and 41,756,000 for the first, second and third quarters of fiscal 2004 which resulted in diluted earnings per share of $0.09, $0.75, and $0.19, respectively. The table above reflects revised diluted shares of 40,722,000, 40,713,000, and 40,703,000 for the first, second and third quarters of fiscal 2004, respectively.

2003	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Total**
Net sales	$ 273,760	$ 449,391	$ 361,204	$ 388,530	$1,472,885
Gross margin	80,797	136,292	109,233	122,578	448,900
Income from operations	4,205	44,186	19,993	28,543	96,927
Net income before cumulative effect of accounting change	2,013	27,387	12,129	16,860	58,389
Net income including cumulative effect of accounting change	$ 125	$ 27,387	$ 12,129	$ 16,860	$ 56,501
Net income per share, before cumulative effect of accounting change:					
Basic	$ 0.05	$ 0.74	$ 0.33	$ 0.45	$ 1.57
Diluted	$ 0.05	$ 0.68	$ 0.30	$ 0.42	$ 1.45
Net income per share, including cumulative effect of accounting change:					
Basic	$ 0.00	$ 0.74	$ 0.33	$ 0.45	$ 1.52
Diluted	$ 0.00	$ 0.68	$ 0.30	$ 0.42	$ 1.40
Same-store sales increase	3.9%	1.2%	13.7%	9.6%	7.0%

As a result of a two-for-one stock split, stockholders of record as of August 4, 2003 received one additional share of stock for each outstanding share. The par value of the Company's common stock remained $0.008. All share and per share data included above and in the consolidated financial statements and notes thereto has been restated to give effect to the stock split.

Results of Operations

The following table sets forth, for the periods indicated, certain items in the Company's consolidated statements of income expressed as a percentage of net sales. The table reflects actual and pro-forma information. The pro-forma information provides results as if the fiscal 2003 adoption of EITF 02-16 had occurred prior to fiscal 2002. (See Note 3 to the Consolidated Financial Statements for further information.)

				(Pro-forma)		
	2004	2003	2002	2004	2003	2002
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of merchandise sold	69.8	69.5	71.7	69.8	69.5	69.1
Gross margin	30.2	30.5	28.3	30.2	30.5	30.9
Selling, general and administrative expenses	22.8	22.5	21.5	22.8	22.5	24.2
Depreciation and amortization	1.6	1.5	1.5	1.6	1.5	1.5
Income from operations	5.8	6.5	5.3	5.8	6.5	5.2
Interest expense, net	0.1	0.2	0.4	0.1	0.2	0.4
Income before income taxes	5.7	6.3	4.9	5.7	6.3	4.8
Income tax provision	2.0	2.4	1.8	2.0	2.4	1.7
Net income before cumulative effect of accounting change	3.7	3.9	3.1	3.7	3.9	3.1
Cumulative effect of accounting change	--	0.1	--	--	--	--
Net income	3.7%	3.8%	3.1%	3.7%	3.9%	3.1%

Fiscal 2004 Compared to Fiscal 2003

Net sales increased 18.1% to $1,738.8 million in fiscal 2004 from $1,472.9 million in fiscal 2003. This increase resulted from the opening of new stores as well as a same-store sales improvement of 9.9%. The Company's favorable performance versus prior year was driven primarily by the opening of 53 new stores, market share gains in certain markets, continued improvement in merchandising programs and successful implementation of new initiatives in presentation, purchasing and product selection. Same-store sales increases were generally experienced across all product lines, with equine, pet and animal products representing the strongest category. The Company's average ticket increased 4.7% to $39.83 for the twelve months ended fiscal 2004. Increased average transaction counts also contributed to the increase in same-store sales. The same-store sales increase includes an approximate 2.6% gain for fiscal year 2004 which is attributed to increases in selling prices resulting from rising steel, grain and petroleum-related product costs.

In fiscal 2004, the Company opened 53 new stores (compared to 31 in the prior year), relocated 20 stores (compared to 18 in the prior year) and closed one store (compared to one in the prior year).

As a percent of sales, gross margin decreased 30 basis points to 30.2% for fiscal 2004 from 30.5% for fiscal 2003. Gross margin was negatively impacted primarily by higher than anticipated freight costs (caused primarily by increased fuel costs and demand in the freight industry) and absorption of some of the impact of higher steel and other commodity costs. The impact of cost increases was partially recovered through higher selling prices.

As a percent of sales, selling, general and administrative ("SG&A") expenses were 22.8% and 22.5% for fiscal 2004 and 2003, respectively. The loss in SG&A leverage was due primarily to approximately $3.2 million in expenses incurred for the consolidation and relocation of the Company's Store Support Center. Additionally, new store openings trailed behind schedule during the middle of the year, resulting in a reduction of sales leverage for related expenses.

Depreciation and amortization expense increased 25.9% in fiscal 2004 over the prior year due mainly to costs associated with new and relocated stores, remodeled existing stores and new distribution facilities.

Net interest expense decreased 58.2% in fiscal 2004 from the prior year. This decrease reflects stronger cash flow and less cash requirements for store openings, which resulted in reduced average long-term borrowings under the Company's revolving credit agreement.

The Company's effective tax rate was 36.0% for fiscal 2004 compared to 37.6% in the prior year, resulting primarily from a lower effective state income tax rate due to the allocation of income by state.

As a result of the foregoing factors, net income for fiscal 2004 increased to $64.1 million, or $1.57 per diluted share, compared to net income of $55.7 million, or $1.38 per diluted share, in the prior year. Exclusive of the cumulative effect of the change in 2003 in the Company's method of accounting for consideration received from vendors, net income for fiscal 2003 was $57.6 million or $1.43 per diluted share. The increase in net income for fiscal 2004 is primarily a result of the factors discussed above and leveraging operating costs with the opening of new stores.

Fiscal 2003 Compared to Fiscal 2002

Net sales increased 21.7% to $1,472.9 million in fiscal 2003 from $1,210.0 million in fiscal 2002. This increase resulted from the opening of new stores as well as a same-store sales improvement of 7.0%. The Company's favorable performance versus prior year was driven primarily by the opening of 31 new stores, market share gains in certain markets, continued improvement in merchandising programs, improved in-store execution and the first full year of operations for the 113 stores opened in fiscal 2002. In fiscal 2003, the Company opened 31 new stores (compared to 113 in the prior year), closed one store (compared to three in the prior year) and relocated 18 stores (compared to 16 in the prior year). The Company substantially expanded its store base during 2002 due to its purchase of property and lease rights from Quality Stores, Inc.

As a percent of sales, gross margin increased 220 basis points to 30.5% for fiscal 2003 from 28.3% for fiscal 2002. Assuming the provisions of EITF 02-16 had been applied prior to fiscal 2002, fiscal 2003 gross margin would have decreased 40 basis points from 30.9% in fiscal 2002. The majority of this decline is attributable to a return to a more normal level of vendor funding in fiscal 2003. Specifically, vendors provided additional funds in fiscal 2002 in connection with the opening of 87 new stores as a result of the purchase of certain properties and lease rights from Quality Stores, Inc.

As a percent of sales, SG&A expenses were 22.5% and 21.5% for fiscal 2003 and 2002, respectively. Assuming the provisions of EITF 02-16 had been applied prior to fiscal 2002 and exclusive of non-recurring expansion costs of $10.7 million experienced in fiscal 2002 (these costs include pre-opening transition and training costs related to the 87 new stores, costs for store relocations and three store closings as a result of the purchase of the aforementioned properties and lease rights from Quality Stores, Inc.), fiscal 2003 SG&A expenses as a percent of sales decreased 80 basis points from 23.3% for fiscal 2002. This decrease is primarily a result of controlled spending and greater leverage from increased sales.

Depreciation and amortization expense increased 20.2% in fiscal 2003 over the prior year due mainly to costs associated with new and relocated stores, as well as remodeled existing stores.

Net interest expense decreased 26.8% in fiscal 2003 over the prior year. This decrease reflects stronger cash flow and less cash requirements for store openings, which resulted in reduced average long-term borrowings under the Company's revolving credit agreement.

The Company's effective tax rate increased to 37.6% for fiscal 2003 compared with 36.2% for fiscal 2002. This increase is due to increased income in states with higher tax rates.

As a result of the foregoing factors, net income for fiscal 2003 increased to $55.7 million, or $1.38 per diluted share, compared to net income of $38.2 million, or $0.97 per diluted share, in the prior year. Exclusive of the cumulative effect of the accounting change, net income for fiscal 2003 was $57.6 million or $1.43 per diluted share. This increase is primarily a result of increased leverage from increased sales at both new and existing stores. Additionally, certain store expansion costs incurred in the Company's significant expansion in 2002, which was primarily the result of the purchase of property and lease rights from Quality Stores, Inc. in the first quarter of 2002, were non-recurring. The expansion increased the size of the Company by over 25% and was completed in a very compressed timeframe. As such, the Company incurred significant incremental costs to achieve the state of readiness required to enable all stores to open within the desired time frame and such costs are not considered by management to be indicative of normal pre-opening or recurring expenses. Management believes that disclosing the effect of the significant 2002 store expansion improves the investor's ability to reasonably evaluate the Company's longer-term business trends.

Change in Accounting Principle

Emerging Issue Task Force Issue No. 02-16 ("EITF 02-16"), "Accounting by a Customer (including a Reseller) for Certain Consideration Received from a Vendor" provides guidance for the accounting treatment and income statement classification for consideration given by a vendor to a retailer in connection with the sale of the vendor's products or for the promotion of sales of the vendor's products. The EITF concluded that such consideration received from vendors should be reflected as a decrease in prices paid for inventory and recognized in cost of sales as the related inventory is sold. Prior to adopting this pronouncement, the Company classified all vendor-provided marketing support funds as a reduction in selling, general and administrative expenses.

The effect of applying EITF 02-16 on prior-period financial statements would have resulted in a change to previously reported net income, thus, the Company has reported the adoption of EITF 02-16 as a cumulative effect adjustment. Accordingly, in the first quarter of fiscal 2003, the Company recorded a cumulative effect of accounting change of $3.1 million ($1.9 million net of income taxes) for the impact of this adoption on prior fiscal years.

The following Pro-forma financial information for the fiscal year ended December 28, 2002 reflects the impact of EITF 02-16 as if it had been adopted prior to fiscal 2002 (in thousands, except per share amounts):

	As Reported		Pro-forma	
		% of Sales		% of Sales
Net sales	$ 1,209,990	100.0%	$ 1,209,990	100.0%
Cost of merchandise sold	867,803	71.7	836,095	69.1
Gross margin	342,187	28.3	373,895	30.9
Selling, general and administrative expenses	259,733	21.5	293,132	24.2
Depreciation and amortization	17,970	1.5	17,970	1.5
Income from operations	64,484	5.3	62,793	5.2
Interest expense, net	4,707	0.4	4,707	0.4
Income before income taxes	59,777	4.9	58,086	4.8
Income tax provision	21,612	1.8	21,001	1.7
Net income	$ 38,165	3.1%	$ 37,085	3.1%
Net income per share:				
Basic	$ 1.06		$ 1.03	
Diluted	$ 0.97		$ 0.94	
Weighted average shares outstanding:				
Basic	36,112		36,112	
Diluted	39,277		39,277	

Liquidity and Capital Resources

In addition to normal operating expenses, the Company's primary ongoing cash requirements are for expansion, remodeling and relocation programs, including inventory purchases and capital expenditures. The Company's primary ongoing sources of liquidity are funds provided from operations, commitments available under its revolving credit agreement, capital and operating leases and normal trade credit. The Company's inventory and accounts payable levels typically build in the first and third fiscal quarters in anticipation of the spring and winter selling seasons, respectively.

Working Capital

At December 25, 2004, the Company had working capital of $216.8 million, a $35.5 million increase from December 27, 2003. This increase is primarily attributable to changes in the following components of current assets and current liabilities (in millions):

	2004	2003	Variance
Current assets:			
Cash and cash equivalents	$ 28.9	$ 20.0	$ 8.9
Inventories	385.1	324.5	60.6
Prepaid expenses and other current assets	30.5	27.6	2.9
Other, net	13.9	11.1	2.8
	458.4	383.2	75.2
Current liabilities:			
Accounts payable	$ 147.9	$ 131.6	$ 16.3
Accrued expenses	92.8	70.0	22.8
Other, net	0.9	0.3	0.6
	241.6	201.9	39.7
Working capital	$ 216.8	$ 181.3	$ 35.5

The increases in cash and cash equivalents, prepaid expenses and other current assets, and accrued expenses is generally due to the increase in the number of stores in operation and resulting increases in sales, growth in operations, and timing of payments.

The increase in inventories and related increase in accounts payable resulted primarily from additional inventory for new stores and an increase in average inventory per store due to increased sales expectations and increased cost of certain products containing steel, grain or petroleum. Trade credit arises from the Company's vendors granting extended payment terms for inventory purchases. Payment terms generally vary from 30 days to 180 days depending on the inventory product.

Borrowings and Credit Facilities

In November 2000, the Company entered into a three-year unsecured senior revolving credit agreement with Bank of America, N.A., as agent for a lender group, whereby the Company was permitted to borrow up to $125 million. In August 2002, the Company entered into a replacement credit agreement with Bank of America, N.A., as agent for a lender group (the "Credit Agreement"), expanding the maximum available borrowing from $125 million to $155 million, extending the maturity to February 2006 and increasing the number of participating banks from seven to ten. The outstanding borrowings under the Credit Agreement totaled $32.3 million at December 25, 2004 and $19.4 million at December 27, 2003. The balance of funds available under the Credit Agreement may be utilized for borrowings and up to $50 million for letters of credit, of which $12.7 million and $8.1 million were outstanding at December 25, 2004 and December 27, 2003, respectively. These letters of credit were issued primarily for the purchase of inventory. The Credit Agreement bears interest at either the bank's base rate (5.25% at December 25, 2004) or the London Inter-Bank Offer Rate ("LIBOR") (2.42% at December 25, 2004) plus an additional amount ranging from 0.75% to 1.5% per annum, adjusted quarterly based on Company performance (0.75% at December 25, 2004). The Company is also required to pay, quarterly in arrears, a commitment fee ranging from 0.20% to 0.35% per annum (0.20% at December 25, 2004) and adjusted quarterly based on Company performance, on the average daily unused portion of the credit line. There are no compensating balance requirements associated with the Credit Agreement.

The Credit Agreement contains certain restrictions regarding additional indebtedness, capital expenditures, business operations, guarantees, investments, mergers, consolidations and sales of assets, transactions with subsidiaries or affiliates, and liens. In addition, the Company must comply with certain quarterly restrictions (based on a rolling four-quarters basis) regarding net worth, leverage ratio, fixed charge coverage, current ratio requirements and spending limits on capital expenditures. The Company was in compliance with all covenants at December 25, 2004.

The Credit Agreement was amended on January 28, 2004 and September 30, 2004. Both amendments included changes to certain financial covenants, primarily to provide flexibility for capital expenditures. The January 2004 amendment extended the maturity to February 28, 2007 and the September 2004 amendment extended the maturity to February 27, 2008.

Sources and Uses of Cash

The Company's primary source of liquidity is cash provided by operations. Principal uses of cash for investing and financing activities are capital expenditures and payments on debt, respectively. The following table presents a summary of cash flows from operating, investing and financing activities for the last three fiscal years (in thousands):

	2004	2003	2002
Net cash provided by operations	$ 77.1	$ 63.9	$ 47.2
Net cash used in investing activities	(87.3)	(43.4)	(63.2)
Net cash provided by (used in) financing activities	19.2	(14.3)	20.8
Net increase in cash and cash equivalents	$ 9.0	$ 6.2	$ 4.8

Operating Activities

The $13.2 million increase in net cash provided by operations in fiscal 2004 over fiscal 2003 is primarily due to changes in the following operating activities (in millions):

	2004	2003	Variance
Net income	$ 64.1	$ 55.7	$ 8.4
Depreciation and amortization	27.2	21.6	5.6
Deferred income taxes	(4.6)	6.6	(11.2)
Inventories and accounts payable	(44.2)	(21.6)	(22.6)
Prepaid expenses and other current assets	(2.2)	(10.8)	8.6
Accrued expenses	22.7	7.0	15.7
Other, net	14.1	5.4	8.7
Net cash provided by operations	$ 77.1	$ 63.9	$ 13.2

The increase in net cash provided by operations in fiscal 2004 compared with fiscal 2003 is primarily due to the improvement in net earnings (exclusive of depreciation and amortization), offset by a net increase in inventory and accounts payable. Increases in prepaid expenses and other current assets and accrued expenses also contributed to the growth in cash provided by operations. These increases were primarily due to the growth in the Company's business during the year and the timing of payments.

The $16.7 million increase in net cash provided by operations in fiscal 2003 from fiscal 2002 is primarily due to changes in the following operating activities (in millions):

	2003	2002	Variance
Net income	$ 55.7	$ 38.2	$ 17.5
Depreciation and amortization	21.6	18.0	3.6
Deferred income taxes	6.6	(4.3)	10.9
Inventories and accounts payable	(21.6)	(33.4)	11.8
Prepaid expenses and other current assets	(10.8)	0.3	(11.1)
Accrued expenses	7.0	22.4	(15.4)
Other, net	5.4	6.0	(0.6)
Net cash provided by operations	$ 63.9	$ 47.2	$ 16.7

The increase in net cash provided by operations in fiscal 2003 compared with fiscal 2002 is primarily due to the increase in the number of stores in operation. In addition to the 31 stores opened in 2003, it was also the first full year of operations for the 113 stores opened in 2002. As a result of this aggressive expansion, the Company

experienced a dramatic increase in all working capital components. Strong sales performance generated increased cash flows and inventory requirements thereby driving proportionate increases in operating expenses.

Investing Activities

Investing activities used $87.3 million, $43.4 million, and $63.2 million in fiscal 2004, 2003 and 2002, respectively. The majority of this cash requirement relates to the Company's capital expenditures.

The Company's significant store expansion, coupled with required investment in infrastructure costs, required the following capital expenditures (in thousands):

	2004	2003	2002
New and relocated stores and stores not yet opened	$ 30,758	$ 18,990	$ 61,278
Existing stores	10,033	9,829	4,193
Distribution center capacity and improvements	41,024	17,217	417
Information technology	9,105	3,320	1,055
Corporate and other	2,069	626	151
	$ 92,989	$ 49,982	$ 67,094

The Company's long-term growth strategy anticipates continued geographic market expansion, further concentration within existing markets and additional investment in distribution facilities. This growth will require continuing investment in information technology and people. The costs reflected are typically building improvements as the Company leases the majority of its facilities. The Company currently estimates that capital expenditures will be approximately $81.7 million in fiscal 2005, as follows (in thousands):

New and relocated stores and stores not yet opened	$ 40,200
Existing stores	16,700
Distribution center capacity and improvements	20,800
Information technology	3,300
Corporate and other	700
	$ 81,700

Financing Activities

Financing activities provided $19.2 million, used $14.3 million, and provided $20.8 million in fiscal 2004, 2003 and 2002, respectively, largely as a result of borrowing requirements created by operations, partially offset by proceeds received from the issuance of stock under stock incentive programs.

The Company believes that its cash flow from operations, borrowings available under the Credit Agreement, and normal trade credit will be sufficient to fund the Company's operations and its capital expenditure needs, including store openings, relocations and renovations, over the next several years.

Significant Contractual Obligations and Commercial Commitments

The following table reflects the Company's future obligations and commitments as of December 25, 2004 (in thousands):

	Payment Due by Period				
	Total Contractual Obligations	Less than 1 year	1-3 years	4-5 years	More than 5 years
Long term debt [(a)]	$ 32,279	$ --	$ --	$ 32,279	$ --
Operating leases	736,030	73,094	142,416	126,640	393,880
Capital leases [(b)]	6,135	1,037	1,441	572	3,085
Purchase obligations [(c)]	908	434	474	--	--
	$ 775,352	$ 74,565	$ 144,331	$ 159,491	$ 396,965

(a) Long term debt balances represent principal maturities, excluding interest. At December 25, 2004, this entire amount relates to the Company's Credit Agreement.
(b) Capital lease obligations include related interest.
(c) The amounts for purchase obligations include commitments for data transfer for information technology use.

The Company has outstanding standby letters of credit of $12.7 million as of December 25, 2004.

Off-Balance Sheet Arrangements

The extent of the Company's off-balance sheet arrangements is operating leases and outstanding letters of credit. The balances for these arrangements are discussed above. Leasing buildings and equipment for retail stores and offices rather than acquiring these significant assets allows the Company to utilize financial capital to operate the business rather than maintain assets. Letters of credit allow the Company to purchase inventory in a timely manner.

Known Trends, Events, Demands, Commitments and Uncertainties

Litigation and Internal Investigation

In July 2004, a purported shareholder derivative lawsuit was filed in the Chancery Court for Davidson County, Tennessee by the Hawaii Laborers Pension Plan against each of the Company's directors, certain of its officers and one former director. The Company was named as a nominal defendant. On September 17, 2004, the plaintiff filed an amended complaint which alleged breaches of fiduciary duty, acts of bad faith, abuse of control, mismanagement, waste of corporate assets, unjust enrichment and other violations of Tennessee law relating to the preparation of the Company's financial statements. The amended complaint sought, on behalf of the Company, unspecified damages, a constructive trust on certain of the defendant's proceeds from selling Company stock, injunctive relief, restitution, the plaintiff's costs and disbursements and such other relief as the Court deemed proper.

On October 8, 2004, the Company moved to dismiss the amended complaint for failure to make a pre-suit demand on the Board of Directors. On December 3, 2004, the Court granted the Company's motion to dismiss and ordered that all claims in the amended complaint be dismissed without prejudice. On February 17, 2005, the Court entered an order denying a motion by the plaintiff to alter or amend the December 3, 2004 order and judgment dismissing the amended complaint. The plaintiff has until March 21, 2005 to file a notice of appeal of the order.

The Audit Committee of the Board of Directors has completed its previously disclosed investigation of the claims set forth in the derivative lawsuit. In July 2004, shortly after the Company learned of the derivative lawsuit, the Board of Directors directed the Audit Committee to conduct an investigation of the allegations. These allegations concerned the Company's accounting accruals and reserves for inventory, employee bonuses, payroll-related liabilities and vendor credits. The Audit Committee promptly retained independent legal counsel with no prior connection to the Company to assist the Audit Committee in evaluating these issues. The Audit Committee and its advisors were provided with full access to Company employees and documents. During the course of the Audit Committee's investigation, independent counsel, with the assistance of accountants that they retained, interviewed Company employees, met with the Company's external auditors, and reviewed a substantial amount of documentation related to the issues described above. The Audit Committee later expanded the review to encompass the Company's other reserves or accruals that involved management judgment.

Based on the investigation of the allegations described above, the Audit Committee determined that there were no material errors requiring restatement of the Company's previously reported financial statements as they relate to such matters and found no evidence of fraud or misconduct by any of the Company's employees. In reaching its conclusion that restatement of the Company's previously reported financial statements was not required, the Audit Committee considered (1) the impact of the documentation insufficiencies and/or errors on each of the periods affected, (2) the lack of any material changes in prior period trends or earnings, (3) the nature of the documentation insufficiencies and errors, and (4) the age of financial statements impacted. The Audit Committee has reported its findings to the Company's Board of Directors and management, both of whom concurred with the Audit Committee's determination. The Company's external auditors have also concurred with the determination.

While the Audit Committee determined that restatement of the Company's prior reported financial statements was not required for such matters, the Audit Committee found the following documentation insufficiencies and/or errors:

- In fiscal 2000, management calculated a total accrual of $4.3 million for the Company's excess and slow moving inventory valuation reserve. A $1.0 million portion of this reserve (representing approximately 0.5% of the total year end inventory balance) relating to costs anticipated to be incurred to move inventory from one store location to another was not sufficiently supported. In fiscal 2001, the rationale and calculation of this portion of the reserve was changed to a mechanical formula, but a $0.8 million portion of the reserve (representing 0.4% of the total year end inventory) was still not sufficiently supported. By the third quarter of fiscal 2002, the entire inventory valuation reserve was properly supported.

- Due to larger than typical performance-based bonuses in fiscal 2002, the maximum limits on certain fringe benefits were met, resulting in a lower than estimated fringe benefit expense being incurred. This circumstance resulted in the year-end estimate being overstated by $790,000. Also, due to forfeitures resulting from employee terminations after the end of year, the Company's ultimate incentive payments for fiscal 2002 were reduced by $137,000. The combination of these two circumstances resulted in the Company's incentive expense for the first quarter of fiscal 2003 being reduced by $927,000.

- In estimating certain payroll-related liabilities for fiscal 1999 through the second quarter of fiscal 2004, management did not sufficiently document its rationale and support for certain judgments concerning estimated claims incurred but not reported for medical costs, workers' compensation and general liability. Since the second quarter of fiscal 2004, the rationale and support for these liabilities have been fully documented.

The Audit Committee concluded that the items addressed above have been fully corrected, also noting that management has dedicated additional accounting and other resources to these areas to further enhance controls.

Following the December 2004 dismissal of the derivative suit, attorneys representing the plaintiff in the shareholder derivative suit wrote the Company's Board of Directors demanding that the Company commence legal proceedings against the directors and officers whom the plaintiff had unsuccessfully sued for essentially the same matters alleged in the derivative suit. The Company's Board of Directors engaged the independent legal counsel and legal counsel retained the accountants which assisted the Audit Committee in its investigation of the allegations in the derivative suit to advise the Board with respect to the demand. Following a review of the investigation of the allegations set forth in the demand letter and the derivative suit, the non-employee members of the Company's Board of Directors determined that the claims proposed in the demand letter and derivative suit have no merit and that pursuing such claims would not be in the best interests of the Company. Based on this determination, the Company's Board of Directors refused the shareholder's demand to pursue legal action.

Self Insurance

During the third fiscal quarter of 2004, the Company determined, through assistance with insurance industry analysts, that one of its former insurance carriers appears insolvent. The carrier insures the Company for both workers' compensation and general liability claims for policy years 1999 through 2001. The Company's exposure to related claims are at risk of not being limited to previously established stop-loss aggregates. A charge of $0.5 million was recognized in the current year for the estimated additional cost to the Company due to the expected loss of stop-loss coverage. This additional estimated liability was determined using a third party actuary service. There can be no assurance that the Company will not incur additional claims in excess of the estimated amounts.

Sales Tax Compliance

A portion of the Company's sales are with tax-exempt customers. The Company obtains exemption information as a necessary part of each tax exempt transaction. Many of the states in which the Company conducts business will audit the Company to verify its compliance with applicable sales tax laws. The business activities of the Company's customers and the intended use of the unique products sold by the Company create a challenging and complex environment of compliance. These circumstances also create some risk that the Company could be challenged as to the propriety of its sales tax compliance. While the Company believes it reasonably enforces sales tax compliance with its customers and endeavors to fully comply with all applicable sales tax regulations, there can be no assurance that the Company, upon final completion of such audits, would not have a significant liability for disallowed exemptions. Management believes it has adequately provided for such liability based on known assessments and expected settlements.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board ("FASB") published FASB Statement No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)" or the "Statement"). SFAS 123(R) requires that the compensation cost relating to share-based payment transactions, including grants of employee stock options, be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. SFAS 123(R) covers a wide range of share-based compensation arrangements including stock options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans.

SFAS 123(R) specifies that the fair value of an employee stock option must be based on an observable market price or, if an observable market price is not available, the fair value must be estimated using a valuation technique meeting specific criteria established in the standard.

The Statement is effective for public companies at the beginning of the first interim or annual period beginning after June 15, 2005 (the third quarter of fiscal 2005 for the Company). The Statement will have no impact on the Company's overall financial position. The impact of this Statement on the Company's results of operations in fiscal 2005 and beyond is expected to be significant and will depend upon various factors, among them being future compensation strategies. The impact of adoption of this Statement cannot be predicted at this time because it will depend on levels of share based payments granted in the future. The pro-forma compensation costs presented in Note 1 to the Notes to Consolidated Financial Statements and in prior filings for the Company have been calculated using a Black-Scholes option pricing model and may not be indicative of amounts which should be expected in future years. As of the date of this filing, the Company has not determined which option pricing model is most appropriate for future option grants or which method of adoption the Company will apply.

In November 2004, the FASB issued Statement of Financial Accounting Standards No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4" ("SFAS 151"). The purpose of this statement is to clarify the accounting of abnormal amounts of idle facility expense, freight, handling costs and waste material. ARB No. 43 stated that under some circumstances these costs may be so abnormal that they are required to be treated as current period costs. SFAS 151 requires that these costs be treated as current period costs regardless if they meet the criteria of "so abnormal." The provisions of SFAS 151 shall be effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Although the Company will continue to evaluate the application of SFAS 151, management does not believe adoption will have a material impact on its results of operations or financial position.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 153, "Exchanges of Nonmonetary Assets, an Amendment of APB Opinion No. 29" ("SFAS 153"). SFAS 153 is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. SFAS 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005, with earlier application permitted. Although the Company will continue to evaluate the application of SFAS 153, management does not believe adoption will have a material impact on its results of operations or financial position.

Risk Factors

Effect of Inflation on Operations
Although the Company cannot accurately determine the full effect of inflation on its operations, it believes its sales and results of operations have been affected by inflation. During fiscal 2004, the Company recognized a LIFO charge of approximately $9.6 million relating to inflation in certain product categories such as steel, grain and petroleum based products. The Company has also experienced inflation in transportation and other costs. The Company increased its retail prices to recoup a portion of this inflation, resulting in a positive impact on same-store sales of an estimated 2.6%. The Company is subject to market risk with respect to the pricing of certain products and services, which include, among other items, steel, grain, petroleum, corn, soybean and other commodities as well as transportation services. If prices of these materials and services continue to increase in a significant manner, consumer demand may fall and/or the Company may not be able to pass such increases on to its customers and, as a result, sales and/or gross margins could decline. The Company has been successful in reducing or mitigating the effects of inflation, principally through selective buying from the most competitive vendors and by increasing retail prices. Due to the competitive environment, such conditions have and may continue to adversely impact the Company's gross margins.

Growth Through Opening New Stores
The Company's key business strategy is to expand its base of Tractor Supply Company stores. If the Company is unable to implement this strategy, the Company's ability to increase its sales, profitability, and cash flow could be impaired significantly. To the extent that the Company is unable to open new stores as the Company anticipates (due to unforeseen delays in construction or site approval), the Company's sales growth would be dependent on increases in same-store sales.

Management of Growth
Even if the Company is able to implement, to a significant degree, its key business strategy of expanding its store base, it may experience managerial or operational problems, which may prevent any significant increase in profitability or negatively impact its cash flow.

Competition
The Company operates in a highly competitive market. The principal competitive factors include location of stores, price and quality of merchandise, in-stock consistency, merchandise assortment and presentation, and customer service. The Company believes it has successfully differentiated itself from general merchandise, home center retailers and other specialty and discount retailers by focusing on its specialized market niche (i.e., supplying the lifestyle needs of recreational farmers and ranchers and those who enjoy the rural lifestyle, as well as tradesmen and small businesses). However, the Company does face select competition from these entities, as well as competition from independently owned retail farm and ranch stores, several privately-held regional farm store chains and farm cooperatives. Some of these competitors are units of large national or regional chains that have substantially greater financial and other resources than the Company.

Improvements to the Company's Supply Chain May Not Be Fully Successful
An important part of the Company's efforts to achieve efficiencies, cost reductions, and sales and cash flow growth is the identification and implementation of improvements to the Company's supply chain, including inventory replenishment systems, merchandise ordering, transportation, and receipt processing. Significant changes to the Company's supply chain could have a materially adverse impact on operating results.

Changes in Customer Demands Could Materially Adversely Affect the Company's Sales, Operating Results and Cash Flow
The Company's success depends on its ability to anticipate and respond in a timely manner to changing customer demand and preferences for products and supplies used in recreational farming and ranching. If the Company misjudges the market, the Company may significantly overstock unpopular products and be forced to take significant inventory markdowns. However, shortages of key items could also have a materially adverse impact on operating results.

Risks Relating to Foreign Suppliers
The Company relies on foreign manufacturers for various products that we sell. In addition, many of our domestic suppliers purchase a portion of their products from foreign sources. This reliance increases the risk of inadequate and untimely supplies of various products due to local political, economic, social, or environmental conditions, transportation delays, restrictive actions by foreign governments, or changes in United States laws and regulations affecting imports or domestic distribution.

Seasonality and Weather
The Company's business is highly seasonal. Historically, the Company's sales and profits have been the highest in the second and fourth fiscal quarters of each year due to the sale of seasonal products. The Company typically operates at approximately break even in the first quarter of each year. Unseasonable weather, excessive rain, drought, and early or late frosts during the second or fourth quarters of each year could have a significant affect the Company's sales and results of operations. The Company believes, however, that the impact of adverse weather conditions is somewhat mitigated by the geographic dispersion of its stores.

Our Information Systems May Prove Inadequate
The Company depends on management information systems for many aspects of its business. The Company will be materially adversely affected if management information systems are disrupted or it is unable to improve, upgrade, maintain, and expand systems, particularly in light of the continued significant increases in the number of stores.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company entered into an interest rate swap agreement as a means of managing its interest rate exposure. This agreement, which matured in November 2003, had the effect of converting certain of the Company's variable rate obligations to fixed rate obligations. Net amounts paid or received are reflected as an adjustment to interest expense.

The Company complies with SFAS Nos. 133, 137, and 138 (collectively "SFAS 133") pertaining to the accounting for derivatives and hedging activities. SFAS 133 requires the Company to recognize all derivative instruments in the balance sheet at fair value. SFAS 133 impacted the accounting for the Company's interest rate swap agreement, which was designated as a cash flow hedge.

The Company is exposed to changes in interest rates primarily from its Credit Agreement. The Credit Agreement bears interest at either the bank's base rate (5.25% and 4.00% at December 25, 2004 and December 27, 2003, respectively) or LIBOR (2.42% and 1.14% at December 25, 2004 and December 27, 2003, respectively) plus an additional amount ranging from 0.75% to 1.50% per annum, adjusted quarterly, based on Company performance (0.75% at both December 25, 2004 and December 27, 2003). The Company is also required to pay (quarterly in arrears) a commitment fee ranging from 0.20% to 0.35% based on the daily average unused portion of the Credit Line. A hypothetical 100 basis point adverse move (increase) in interest rates along the entire interest rate yield curve would result in approximately $98,000 of additional annual interest expense and would not impact the fair market value of the long-term debt.

Item 8. Financial Statements and Supplementary Data

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TRACTOR SUPPLY COMPANY

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Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rules 13a-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 25, 2004 and this assessment identified a material weakness in the Company's internal control. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The material weakness related to the selection and monitoring of appropriate assumptions and factors affecting accounting for leases and leasehold improvements. Accordingly, the Company has restated the previously issued consolidated financial statements. See Note 2 to the consolidated financial statements for a full discussion of the effects of these changes to the Company's consolidated balance sheets as of December 27, 2003, as well as on the Company's consolidated statements of income and cash flows for fiscal years 2003 and 2002. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework.* Based on management's assessment, management concluded that, as of December 25, 2004, due solely to the material weakness related to the accounting for leases and leasehold improvements, the Company's internal control over financial reporting was not effective based on those criteria.

Management's assessment of the effectiveness of internal control over financial reporting as of December 25, 2004, has been audited by Ernst & Young LLP, the independent registered public accounting firm who also audited the Company's consolidated financial statements. Ernst & Young's attestation report on management's assessment of the Company's internal control over financial reporting appears on page 29 hereof.

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

The Board of Directors and Stockholders
Tractor Supply Company

We have audited management's assessment, included in the accompanying Management's Report on Internal Controls Over Financial Reporting, that Tractor Supply Company did not maintain effective internal control over financial reporting as of December 25, 2004, because of the effect of control weaknesses over the selection and monitoring of appropriate assumptions and factors affecting accounting for leases and leasehold improvements, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Tractor Supply Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

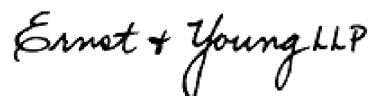
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The following material weakness has been identified and included in management's assessment. Subsequent to December 25, 2004, management identified as a material weakness the Company's controls over the selection and monitoring of appropriate assumptions and factors affecting accounting for leases and leasehold improvements. As a result of this material weakness in internal control, management concluded that depreciation and amortization expenses and certain liabilities were understated and that previously issued financial statements should be restated. See Note 2 to the consolidated financial statements for a full discussion of the effects of these changes to the Company's consolidated financial statements. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2004 consolidated financial statements, and this report does not affect our report dated March 9, 2005 on those consolidated financial statements.

In our opinion, management's assessment that Tractor Supply Company did not maintain effective internal control over financial reporting as of December 25, 2004, is fairly stated, in all material respects, based on the COSO control criteria. Also, in our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, Tractor Supply Company has not maintained effective internal control over financial reporting as of December 25, 2004, based on the COSO control criteria.



Nashville, Tennessee
March 9, 2005

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Tractor Supply Company

We have audited the accompanying consolidated balance sheets of Tractor Supply Company as of December 25, 2004 and December 27, 2003, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 25, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tractor Supply Company at December 25, 2004 and December 27, 2003, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 25, 2004, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the accompanying consolidated balance sheet as of December 27, 2003 and the statements of income, stockholders' equity, and cash flows for the years ended December 27, 2003 and December 28, 2002, have been restated to correct the accounting for leases.

As discussed in Note 3 to the financial statements, in fiscal 2003 the Company changed its method of accounting for certain consideration received from vendors.

We also have audited, in accordance with the standards of Public Company Accounting Oversight Board (United States), the effectiveness of Tractor Supply Company's internal control over financial reporting as of December 25, 2004, based on criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 9, 2005 expressed an unqualified opinion on management's assessment and an adverse opinion on the effectiveness of internal control over financial reporting.

Ernst + Young LLP

Nashville, Tennessee
March 9, 2005

TRACTOR SUPPLY COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)

	2004	2003 (as restated, see Note 2)	2002 (as restated, see Note 2)
Net sales	$1,738,843	$1,472,885	$1,209,990
Cost of merchandise sold	1,214,156	1,023,985	867,803
Gross margin	524,687	448,900	342,187
Selling, general and administrative expenses	395,955	331,630	259,733
Depreciation and amortization	27,186	21,597	17,970
Income from operations	101,546	95,673	64,484
Interest expense, net	1,440	3,444	4,707
Income before income taxes and cumulative effect of change in accounting principle	100,106	92,229	59,777
Income tax expense	36,037	34,647	21,612
Income before cumulative effect of change in accounting principle	64,069	57,582	38,165
Cumulative effect on prior years of change in accounting principle, net of income taxes (Note 3)	--	(1,888)	--
Net income	$ 64,069	$ 55,694	$ 38,165
Net income per share – basic, before cumulative effect of change in accounting principle	$ 1.68	$ 1.55	$ 1.06
Cumulative effect of accounting change, net of income taxes	--	(0.05)	--
Net income per share – basic	$ 1.68	$ 1.50	$ 1.06
Net income per share – assuming dilution, before cumulative effect of change in accounting principle	$ 1.57	$ 1.43	$ 0.97
Cumulative effect of accounting change, net of income taxes	--	(0.05)	--
Net income per share – assuming dilution	$ 1.57	$ 1.38	$ 0.97
Pro-forma amounts assuming the change in accounting principle is applied retroactively:			
Net income	$ 64,069	$ 57,582	$ 37,085
Net income per share – basic	$ 1.68	$ 1.55	$ 1.03
Net income per share – assuming dilution	$ 1.57	$ 1.43	$ 0.94

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

TRACTOR SUPPLY COMPANY
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	Dec. 25, 2004	Dec. 27, 2003 (as restated, see Note 2)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 28,941	$ 19,980
Inventories	385,127	324,518
Prepaid expenses and other current assets	30,481	27,581
Assets held for sale	2,272	3,636
Deferred income taxes	11,584	7,467
Total current assets	458,405	383,182
Property and Equipment:		
Land	15,481	14,307
Buildings and improvements	171,279	134,638
Furniture, fixtures and equipment	88,222	70,378
Computer software and hardware	27,283	19,255
Construction in progress	24,316	3,718
	326,581	242,296
Accumulated depreciation and amortization	(112,947)	(91,500)
Property and equipment, net	213,634	150,796
Other assets	6,446	4,292
Total assets	$ 678,485	$ 538,270
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 147,950	$ 131,564
Accrued employee compensation	10,703	12,716
Other accrued expenses	82,061	57,338
Current portion of capital lease obligations	882	339
Total current liabilities	241,596	201,957
Revolving credit loan	32,279	19,403
Capital lease obligations, less current maturities	2,465	1,807
Deferred income taxes	5,710	6,235
Other long-term liabilities	25,851	17,877
Total liabilities	307,901	247,279
Stockholders' equity:		
Preferred Stock, 40,000 shares authorized; $1.00 par value; no shares issued	--	--
Common stock, 100,000,000 shares authorized; $.008 par value; 38,302,373 and 37,390,469 shares issued and outstanding in 2004 and 2003, respectively	306	299
Additional paid-in capital	77,600	62,083
Retained earnings	292,678	228,609
Total stockholders' equity	370,584	290,991
Total liabilities and stockholders' equity	$ 678,485	$ 538,270

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

TRACTOR SUPPLY COMPANY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except per share amounts)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Stockholders' equity at December 29, 2001 (as previously reported)	$ 284	$ 44,703	$137,731	$ (1,422)	$ 181,296
Cumulative effect of restatement on prior years (see Note 2)			(2,981)		(2,981)
Stockholders' equity at December 29, 2001 (as restated, see Note 2)	284	44,703	134,750	(1,422)	178,315
Issuance of common stock under employee stock purchase plan (71,374 shares)		639			639
Exercise of stock options (819,810 shares)	8	4,188			4,196
Tax benefit on disqualifying disposition of stock options		2,498			2,498
Unrealized gain on interest rate swap agreement, net of income tax expense of $299				449	449
Net income (as restated, see Note 2)			38,165		38,165
Stockholders' equity at December 28, 2002 (as restated, see Note 2)	292	52,028	172,915	(973)	224,262
Issuance of common stock under employee stock purchase plan (52,900 shares)		935			935
Exercise of stock options (871,661 shares)	7	4,832			4,839
Tax benefit on disqualifying disposition of stock options		4,288			4,288
Unrealized gain on interest rate swap agreement, net of income tax expense of $603				973	973
Net income (as restated, see Note 2)			55,694		55,694
Stockholders' equity at December 27, 2003 (as restated, see Note 2)	299	62,083	228,609	--	290,991
Issuance of common stock under employee stock purchase plan (41,282 shares)	1	1,454			1,455
Exercise of stock options (870,622 shares)	6	5,380			5,386
Tax benefit on disqualifying disposition of stock options		8,683			8,683
Net income			64,069		64,069
Stockholders' equity at December 25, 2004	$ 306	$ 77,600	$ 292,678	$ --	$ 370,584

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

TRACTOR SUPPLY COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	2004	2003 (as restated, see Note 2)	2002 (as restated, see Note 2)
Cash flows from operating activities:			
Net income	$ 64,069	$ 55,694	$ 38,165
Tax benefit of stock options exercised	8,683	4,288	2,498
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of change in accounting principle	--	1,888	--
Depreciation and amortization	27,186	21,597	17,970
Gain on disposition of property and equipment	(862)	(3,172)	(1,152)
Asset impairment related to closed stores and relocations	485	423	558
Deferred income taxes	(4,642)	6,557	(4,309)
Change in assets and liabilities:			
Accounts receivable	--	102	2,109
Inventories	(60,609)	(38,318)	(67,274)
Prepaid expenses and other current assets	(2,150)	(10,827)	343
Accounts payable	16,386	16,713	33,877
Accrued expenses	22,718	6,993	22,389
Income taxes currently payable	--	(1,446)	16
Other	5,802	3,416	2,017
Net cash provided by operating activities	77,066	63,908	47,207
Cash flows from investing activities:			
Capital expenditures	(91,313)	(49,982)	(67,094)
Proceeds from sale of property and equipment	3,966	6,539	3,924
Net cash used in investing activities	(87,347)	(43,443)	(63,170)
Cash flows from financing activities:			
Borrowings under revolving credit agreement	364,569	536,285	539,915
Repayments under revolving credit agreement	(351,693)	(550,424)	(521,490)
Repayment of long term debt	--	(5,537)	(2,142)
Principal payments under capital lease obligations	(475)	(356)	(309)
Net proceeds from issuance of common stock	6,841	5,774	4,835
Net cash provided by (used in) financing activities	19,242	(14,258)	20,809
Net increase in cash	8,961	6,207	4,846
Cash and cash equivalents at beginning of year	19,980	13,773	8,927
Cash and cash equivalents at end of year	$ 28,941	$ 19,980	$ 13,773

Supplemental disclosures of cash flow information:

	2004	2003	2002
Cash paid during the year for:			
Interest	$ 1,271	$ 3,043	$ 3,789
Income taxes	28,917	31,840	23,774
Supplemental disclosure of non-cash activities:			
Equipment acquired through capital leases	$ 1,676	--	--

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies:

Nature of Business

The Company is the largest operator of retail farm and ranch stores in the United States. The Company is focused on supplying the lifestyle needs of recreational farmers and ranchers and serving the maintenance needs of those who enjoy the rural lifestyle, as well as tradesmen and small businesses. Stores are located in towns outlying major metropolitan markets and in rural communities. The Company operated 515 retail farm and ranch stores in 32 states as of December 25, 2004.

Fiscal Year

The Company's fiscal year includes 52 or 53 weeks and ends on the last Saturday of the calendar year. References to fiscal year mean the year in which that fiscal year began. Each of the fiscal years ended December 25, 2004, December 27, 2003 and December 28, 2002 contain 52 weeks.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany accounts and transactions have been eliminated.

Management Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States inherently requires estimates and assumptions by management that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosures. Actual results could differ from those estimates.

Significant estimates and assumptions by management primarily impact the following key financial statement areas:

> Inventory Valuation
> The Company identifies potentially excess and slow-moving inventory by evaluating turn rates and overall inventory levels. Potentially excess quantities are identified through the application of benchmark turn targets and historical sales experience. Further, exposure to inadequate realization of carrying value is identified through analysis of gross margin achievement and markdown experience, in combination with all merchandising initiatives. The estimated reserve is based on management's current knowledge with respect to inventory levels, sales trends and historical experience relating to the sale of the potentially excess and/or slow-moving inventory. Management does not believe the Company's merchandise inventories are subject to significant risk of obsolescence in the near-term, and management has the ability to adjust purchasing practices based on anticipated sales trends and general economic conditions. However, changes in consumer purchasing patterns could result in the need for additional reserves.
>
> The Company estimates its expected shrinkage of inventory between physical inventory counts by assessing the chain-wide average shrinkage experience rate, applied to the related periods' sales volumes. Such assessments are updated on a regular basis for the most recent individual store experiences.
>
> The Company receives funding from its vendors for promotion of the Company's brand as well as the sale of their products. Vendor funding is accounted for as a discount on the purchase price of inventories and is recognized as a reduction of cost of merchandise as inventory is sold. The amount of expected funding is estimated based upon initial guaranteed commitments, as well as anticipated purchase levels with applicable vendors. The estimated purchase volume and related

vendor funding is based on management's current knowledge with respect to inventory levels, sales trends and expected customer demand, as well as planned new store openings and relocations. Although management believes it has the ability to reasonably estimate its purchase volume and related vendor funding, it is possible that actual results could significantly differ from the estimated amounts.

Sales Returns
The Company generally honors customer refunds within 30 days of the original purchase, with the supporting receipt. However, the Company also has a "satisfaction guaranteed" policy, such that if customers are not satisfied, store employees are authorized, at their discretion, to offer to repair or exchange the product, or to offer store credits or refunds, irrespective of when the product was purchased. The Company estimates its reserve for likely customer returns based on the average refund experience in relation to sales for the related period. Due to the seasonality of the Company's sales, the refund experience can vary, depending on the fiscal quarter of measurement.

Self-insurance
The Company is self-insured for certain losses relating to workers' compensation, medical and general liability claims. However, the Company has stop-loss limits and umbrella insurance coverage for certain risk exposures subject to specified limits. Self-insurance claims filed and claims incurred but not reported are accrued based upon management's estimates of the aggregate liability for uninsured claims incurred using actuarial reports and assumptions followed in the insurance industry and historical experience. Although management believes it has the ability to adequately record estimated losses related to claims, it is possible that actual results could significantly differ from recorded self-insurance liabilities.

Revenue Recognition

The Company recognizes revenue when sales transactions occur and customers take possession of the merchandise. A provision for anticipated merchandise returns is provided in the period during which the related sales are recorded. Revenues from the sale of gift cards are deferred and recognized when the cards are redeemed.

Credit Cards/Accounts Receivable

Sales generated through the Company's private label credit cards are not reflected as accounts receivable. Under an agreement with Citi Commerce Solutions, a division of Citigroup ("Citigroup"), consumer credit is extended directly to customers by Citigroup. All credit program and related services are performed and controlled directly by Citigroup.

Pre-opening Costs

Non-capital expenditures incurred in connection with start-up for store and distribution center activities are expensed as incurred.

Store Closing Costs

Beginning in fiscal 2003, the Company recognizes store closing costs in accordance with the provisions of Statement of Financial Accounting Standards 146, "Accounting for Costs Associated with Exit or Disposal Activities," ("SFAS 146") which requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Prior to the adoption of SFAS 146, the Company recognized store-closing costs (primarily remaining lease obligations and disposals of property and equipment) at the time the plan for the related store closing or relocation was finalized. These costs are included in selling, general and administrative expenses in the accompanying statements of income. The adoption of SFAS 146 did not materially impact the Company's financial position, cash flows, or results of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cash and Cash Equivalents

The Company considers temporary cash investments, with a maturity of three months or less when purchased, to be cash equivalents. The majority of payments due from banks for customer credit card transactions process within 24-48 hours and are accordingly classified as cash and cash equivalents.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short-term receivables and payables and long-term debt instruments, including capital leases. The carrying values of cash and cash equivalents, receivables and trade payables equal current fair value. The terms of the Company's revolving credit agreement (the "Credit Agreement") include variable interest rates, which approximate current market rates.

Derivative Instruments and Hedging Activities

The Company complies with Statement of Financial Accounting Standard Nos. 133, 137, and 138 (collectively "SFAS 133") pertaining to the accounting for derivatives and hedging activities. SFAS 133 requires the Company to recognize all derivative instruments in the balance sheet at fair value. SFAS 133 impacted the accounting for the Company's interest rate swap agreement, which was designated as a cash flow hedge.

Inventories

The value of the Company's inventories is determined using the lower of last-in, first-out (LIFO) cost or market. Inventories are not in excess of market value. Quarterly inventory determinations under LIFO are based on assumptions as to projected inventory levels at the end of the fiscal year, sales for the year and the rate of inflation/deflation for the year. If the first-in, first-out (FIFO) method of accounting for inventory had been used, inventories would have been approximately $9,619,000 higher than reported at December 25, 2004. At December 27, 2003, LIFO and FIFO inventory values were the same.

Freight Costs

The Company incurs various types of transportation and delivery costs in connection with inventory purchases and distribution. Such costs are included as a component of the overall cost of inventories and recognized as a cost of merchandise sold as inventory is sold.

Warehousing and Distribution Costs

Costs incurred at the Company's distribution centers for receiving, warehousing and preparing product for delivery are expensed as incurred. These costs are included in selling, general and administrative expenses in the accompanying statements of income at the time the costs are incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Property and Equipment

Property and equipment are carried at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. Improvements to leased premises are amortized using the straight-line method over the initial term of the lease or the useful life of the improvement, whichever is lesser. Leasehold improvements added late in the lease term are amortized over the term of the lease (including the first renewal option, if the renewal is reasonably assured) or the useful life of the improvement, whichever is lesser. The following estimated useful lives are generally applied:

	Life
Buildings	30 – 35 years
Leasehold and building improvements	5 – 15 years
Furniture, fixtures and equipment	5 – 10 years
Computer software and hardware	3 – 5 years

Leases

Assets under capital leases are amortized in accordance with the Company's normal depreciation policy for owned assets or over the lease term (regardless of renewal options), if shorter, and the charge to earnings is included in depreciation expense in the consolidated financial statements.

Certain leases include rent increases during the initial lease term. For these leases, the Company recognizes the related rental expense on a straight-line basis over the term of the lease (which includes the pre-opening period of construction, renovation, fixturing and merchandise placement) and records the difference between the amounts charged to operations and amounts paid as a rent liability. Rent is recognized on a straight-line basis over the lease term, which includes any rent holiday period.

The Company occasionally receives reimbursements from landlords to be used towards construction of the store the Company intends to lease. The reimbursement is primarily for the purpose of performing work required to divide a much larger location into smaller segments, one of which the Company will use for its store. This work could include the addition of demising walls, separation of plumbing, utilities, electric work, entrances (front and back) and other work as required. Leasehold improvements are recorded at their gross costs including items reimbursed by landlords. The reimbursements are amortized as a reduction of rent expense over the initial lease term (Note 2).

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable. Impairments on long-lived assets to be disposed are recognized by writing down the related assets to their fair value (less costs to sell, as appropriate), when the criteria have been met for the asset to be classified as held for sale or disposal (Note 4).

Advertising Costs

Advertising costs consist of expenses incurred in connection with newspaper circulars, television and radio, as well as direct mail, newspaper advertisements and other promotions. Costs are expensed when incurred with the exception of television advertising, which is expensed upon first showing and circular and direct mail promotions, which are expensed at the beginning of the promotion period. Advertising expenses for fiscal 2004, 2003 and 2002 were approximately $42,198,000, $38,235,000 and $33,761,000, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes

The Company accounts for income taxes using the liability method, whereby deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to be recovered or settled.

Stock-based Compensation Plans

As permitted by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," ("SFAS 123") the Company has elected to account for its stock-based compensation plans under the intrinsic value-based method of accounting prescribed by Accounting Principles Board Opinion No. 25 ("APB No. 25"), "Accounting for Stock Issued to Employees." Under APB No. 25, compensation expense would be recorded if the current market price of the underlying stock on the date of grant exceeded the exercise price.

Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant date (derived through use of Black-Scholes methodology) for awards under the plans consistent with the method prescribed by SFAS 123, the Company's pro-forma net income and net income per share for fiscal 2004, 2003 and 2002 would have been as follows (in thousands, except per share amounts):

	2004	2003 (as restated, see Note 2)	2002 (as restated, see Note 2)
Net income – as reported	$ 64,069	$ 55,694	$ 38,165
Pro-forma compensation expense, net of income taxes	(4,083)	(2,734)	(1,836)
Net income – pro-forma	$ 59,986	$ 52,960	$ 36,329
Net income per share – basic:			
As reported	$ 1.68	$ 1.50	$ 1.06
Pro-forma	$ 1.57	$ 1.43	$ 1.01
Net income per share – diluted:			
As reported	$ 1.57	$ 1.38	$ 0.97
Pro-forma	$ 1.47	$ 1.32	$ 0.92

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

	2004	2003	2002
Expected volatility	47.7%	44.2%	43.8%
Risk-free interest rate	3.5%	3.7%	5.0%
Average expected life (years)	7.1	7.0	6.9
Dividend yield	0.0%	0.0%	0.0%
Weighted average fair value	$ 22.16	$ 10.13	$ 4.87

In December 2004, the Financial Accounting Standards Board ("FASB") published FASB Statement No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)" or the "Statement"). SFAS 123(R) requires that the compensation cost relating to share-based payment transactions, including grants of employee stock options, be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. SFAS 123(R) covers a wide range of share-based compensation arrangements including stock options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans.

SFAS 123(R) specifies that the fair value of an employee stock option must be based on an observable market price or, if an observable market price is not available, the fair value must be estimated using a valuation technique meeting specific criteria established in the standard.

The Statement is effective for public companies at the beginning of the first interim or annual period beginning after June 15, 2005 (the third quarter of fiscal 2005 for the Company). The Statement will have no impact on the Company's overall financial position. The impact of this Statement on the Company's results of operations in fiscal 2005 and beyond is expected to be significant and will depend upon various factors, among them being future compensation strategies. The impact of adoption of this Statement cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. The pro-forma compensation costs presented in the table above and in prior filings for the Company have been calculated using a Black-Scholes option pricing model and may not be indicative of amounts which should be expected in future years. As of the date of this filing, the Company has not determined which option pricing model is most appropriate for future option grants or which method of adoption the Company will apply.

Net Income Per Share

The Company presents both basic and diluted earnings per share ("EPS") on the face of the income statement. As provided by SFAS 128, "Earnings per Share", basic EPS is calculated as income available to common stockholders divided by the weighted average number of shares outstanding during the period. Diluted EPS is calculated using the treasury stock method for options and warrants. All earnings per share data included in the consolidated financial statements and notes thereto have been restated to give effect to the August 21, 2003 and the August 19, 2002 two-for-one stock splits (Note 10).

Adoption of Financial Accounting Standards Board Interpretation No. 46

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46, "Consolidation of Variable Interest Entities ("VIE"), an Interpretation of accounting Research Bulletin No. 51" ("FIN 46") as amended by FIN 46-R. The Interpretation provides guidance for determining whether an entity is a variable interest entity and evaluation for consolidation based on a company's variable interests. The Interpretation was effective (1) immediately for VIEs created after January 31, 2003, and (2) in the first interim period ending after March 15, 2004 for VIEs created prior to February 1, 2003. The adoption of FIN 46-R had no impact on the Company's financial position or results of operations.

Reclassifications

Certain amounts in previously issued financial statements were reclassified to conform to the fiscal 2004 presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 – Restatement of Financial Statements

On February 7, 2005, the Office of the Chief Accountant of the Securities and Exchange Commission ("SEC") issued a letter to the American Institute of Certified Public Accountants expressing its views regarding certain operating lease accounting issues and their application under generally accepted accounting principles ("GAAP"). In light of this letter, the Company's management initiated a review of the Company's lease-related accounting methods and determined that the Company's methods of accounting for (1) amortization of leasehold improvements, (2) leasehold improvements funded by landlord incentives and (3) rent expense prior to commencement of operations and rent payments, while in line with common industry practice, were not in accordance with GAAP. As a result, the Company restated its consolidated financial statements for each of the fiscal years ended December 27, 2003 and December 28, 2002, and the first three quarters of fiscal 2004 included in this Report.

Previously the Company had amortized its leasehold improvements over the shorter of (1) the estimated life of the asset, or (2) the lease term, including the first five-year renewal option for initial term leases of 10 years or less. Management determined that the appropriate interpretation of the lease term under Statement of Financial Accounting Standards No. 13, "Accounting for Leases," ("SFAS 13") is the sum of the fixed noncancellable term and any options where, at the inception of the lease, renewal is reasonably assured. Management determined that renewal of the majority of lease terms associated with leasehold improvements whose useful lives included the option period, while expected, were not reasonably assured under SFAS 13. Accordingly, the Company accelerated the amortization of those leasehold improvements to coincide with the end of the fixed noncancellable term of the lease.

Additionally, the Company had historically accounted for leasehold improvements funded by landlord incentives as reductions in the cost of the related leasehold improvements reflected in the consolidated balance sheets and the capital expenditures reflected in investing activities in the consolidated statements of cash flows. Management determined that the appropriate interpretation of Financial Accounting Standards Board Technical Bulletin No. 88-1, "Issues Relating to Accounting for Leases," requires these incentives to be recorded as deferred rent liabilities in the consolidated balance sheets and as a component of operating activities in the consolidated statements of cash flows. Additionally, this adjustment resulted in a reclassification of the deferred rent amortization from depreciation and amortization expense to selling, general and administrative expenses in the consolidated statements of income and included as an additional cost component of capital expenditures in investing activities in the consolidated statements of cash flows.

Finally, the Company had historically recognized rent holiday periods on a straight-line basis over the lease term commencing on the related retail store opening date. The store opening date coincides with the commencement of business operations, which is the intended use of the property. Management re-evaluated Financial Accounting Standards Board Technical Bulletin No. 85-3, "Accounting for Operating Leases with Scheduled Rent Increases," and determined that, consistent with the letter issued by the Office of the Chief Accountant, the lease term should include the pre-opening period of construction, renovation, fixturing and merchandise placement (typically two to six months prior to store opening). The correction of this error requires the Company to record additional deferred rent in other accrued expenses and other long-term liabilities and to adjust retained earnings in the consolidated balance sheet, as well as to restate rent expense in selling, general and administrative expenses in the consolidated statements of income.

The cumulative effect of these corrections is a reduction to retained earnings of $3.0 million (net of taxes of $1.7 million) as of the beginning of fiscal 2002 and reductions to retained earnings of $1.3 million (net of taxes of $0.8 million), $0.8 million (net of taxes of $0.4 million) and $0.6 million (net of taxes of $0.4 million) for the fiscal years ended 2004, 2003 and 2002, respectively. These adjustments did not have any impact on the overall cash flows of the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Following is a summary of the effects of these changes on the Company's consolidated balance sheet as of December 27, 2003, as well as on the Company's consolidated statements of income and cash flows for fiscal years 2003 and 2002 (in thousands, except per share amounts):

	Consolidated Statements of Income		
	As previously reported	Adjustments	As restated
Fiscal year ended December 27, 2003:			
Selling, general and administrative expenses	$ 332,215	$ (585)	$ 331,630
Depreciation and amortization	19,758	1,839	21,597
Income from operations	96,927	(1,254)	95,673
Income before income taxes and cumulative effect of change in accounting principle	93,483	(1,254)	92,229
Income tax expense	35,094	(447)	34,647
Net income	56,501	(807)	55,694
Net income per share — basic	1.52	(0.02)	1.50
Net income per share — diluted	$ 1.40	$ (0.02)	$ 1.38
Fiscal year ended December 28, 2002:			
Selling, general and administrative expenses	$ 260,290	$ (557)	$ 259,733
Depreciation and amortization	16,457	1,513	17,970
Income from operations	65,440	(956)	64,484
Income before income taxes	60,733	(956)	59,777
Income tax expense	21,963	(351)	21,612
Net income	38,770	(605)	38,165
Net income per share — basic	1.07	(0.01)	1.06
Net income per share — diluted	$ 0.99	$ (0.02)	$ 0.97

	Consolidated Balance Sheet		
	As previously reported	Adjustments	As restated
December 27, 2003:			
Prepaid expenses and other current assets	$ 27,725	$ (144)	$ 27,581
Property and equipment, net	148,591	2,205	150,796
Total assets	536,209	2,061	538,270
Other accrued expenses	53,943	3,395	57,338
Deferred income tax liability	8,879	(2,644)	6,235
Other long-term liabilities	12,174	5,703	17,877
Retained earnings	233,002	(4,393)	228,609
Total stockholders' equity	295,384	(4,393)	290,991
Total liabilities and stockholders' equity	$ 536,209	$ 2,061	$ 538,270

	Consolidated Statements of Cash Flows		
	As previously reported	Adjustments	As restated
Fiscal year ended December 27, 2003:			
Net cash provided by operating activities	$ 62,048	$ 1,860	$ 63,908
Net cash used in investing activities	$ (41,583)	$ (1,860)	$ (43,443)
Fiscal year ended December 28, 2002:			
Net cash provided by operating activities	$ 46,657	$ 550	$ 47,207
Net cash used in investing activities	$ (62,620)	$ (550)	$ (63,170)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 - Change in Accounting Principle:

Emerging Issues Task Force Issue No. 02-16 ("EITF 02-16") provides guidance for the accounting treatment and income statement classification for consideration given by a vendor to a retailer in connection with the sale of the vendor's products or for the promotion of sales of the vendor's products. The EITF concluded that such consideration received from vendors should be reflected as a decrease in prices paid for inventory and recognized in cost of sales as the related inventories are sold, unless specific criteria are met qualifying the consideration for treatment as reimbursement of specific, identifiable incremental costs. Prior to adopting this pronouncement, the Company classified all vendor-provided marketing support funds as a reduction in selling, general and administrative expenses.

The effect of applying the consensus of EITF 02-16 on prior-period financial statements would have resulted in a change to previously reported net income. Thus, the Company has reported the adoption of EITF 02-16 as a cumulative effect adjustment in accordance with APB Opinion No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements" and as permitted by EITF 02-16. During the first quarter of fiscal 2003, the Company recognized a charge against net income of $3,053,000 ($1,888,000 net of income taxes), that resulted from the cumulative effect on prior years.

Note 4 - Assets Held for Sale:

Assets held for sale consist of certain buildings and properties that the Company either acquired through asset acquisitions or that were vacated upon relocation of a store.

The Company applies the provisions of Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("SFAS 144") to assets held for sale. SFAS 144 requires assets held for sale to be valued on an asset-by-asset basis at the lower of carrying amount or fair value less costs to sell. In applying these provisions, recent appraisals, valuations, offers and bids are considered. The Company recorded an impairment charge of $485,000, $423,000 and $558,000 in 2004, 2003 and 2002, respectively, to adjust the carrying value of certain property and equipment related to vacated stores to fair value, less costs to sell. This charge is included in selling, general and administrative expenses.

The buildings and properties held for sale are separately presented as assets held for sale in the accompanying consolidated balance sheets. The assets are classified as current, as the Company believes they will be sold within the next twelve months and have met all the criteria for classification as held for sale pursuant to SFAS 144.

Note 5 - Credit Agreement:

In November 2000, the Company entered into a three-year unsecured senior revolving credit agreement with Bank of America, N.A., as agent for a lender group, whereby the Company was permitted to borrow up to $125 million. In August 2002, the Company entered into a replacement unsecured credit agreement with Bank of America, N.A. as agent for a lender group (the "Credit Agreement"), expanding the maximum available borrowing from $125 million to $155 million, extending the maturity to February 2006 and increasing the number of participating banks from seven to ten. The outstanding borrowings under the Credit Agreement totaled $32.3 million at December 25, 2004 and $19.4 million at December 27, 2003. The balance of funds available under the Credit Agreement may be utilized for borrowings and up to $50 million for letters of credit of which $12.7 million and $8.1 million was outstanding at December 25, 2004 and December 27, 2003, respectively. These letters of credit were issued primarily for the purchase of inventory. The Credit Agreement bears interest at either the bank's base rate (5.25% at December 25, 2004) or the London Inter-Bank Offer Rate ("LIBOR") (2.42% at December 25, 2004) plus an additional amount ranging from 0.75% to 1.5% per annum, adjusted quarterly based on Company performance (0.75% at December 25, 2004). The Company is also required to pay, (quarterly in arrears), a commitment fee ranging from 0.20% to 0.35% per annum (0.20% at December 25, 2004) and adjusted quarterly based on Company performance, on the average daily unused portion of the credit line. There are no compensating balance requirements associated with the Credit Agreement.

The Credit Agreement contains certain restrictions regarding additional indebtedness, capital expenditures, business operations, guarantees, investments, mergers, consolidations and sales of assets, transactions with subsidiaries or affiliates, and liens. In addition, the Company must comply with certain quarterly restrictions (based on a rolling four-quarters basis) regarding net worth, leverage ratio, fixed charge coverage, current ratio requirements and spending limits on capital expenditures. The Company was in compliance with all covenants at December 25, 2004.

The Credit Agreement was amended on January 28, 2004 and September 30, 2004. Both amendments included changes to certain financial covenants, primarily to provide flexibility for capital expenditures. The January amendment extended the maturity to February 28, 2007 and the September amendment extended the maturity to February 27, 2008.

Note 6 - Other Long-term Debt:

In June 1998, the Company entered into a new unsecured loan agreement (the "Loan Agreement") and term note (the "Term Note") pursuant to which the Company borrowed $15 million. There were no compensating balance requirements associated with the Loan Agreement. The Loan Agreement and Term Note matured in November 2003 and were paid in full.

Note 7 - Leases:

The Company leases the majority of its office space and most of its retail store locations, transportation equipment and other equipment under various noncancellable operating leases. The leases have varying terms and expire at various dates through 2029, and 2022 for capital leases and operating leases, respectively. The store leases typically have initial terms of between 10 and 15 years, with two to four renewal periods of five years each, exercisable at the Company's option. Some leases require the payment of contingent rent that is based upon store sales above agreed upon sales levels for the year. The sales levels vary for each store and are established in the lease agreements. Generally, most of the leases require the Company to pay taxes, insurance and maintenance costs.

Total rent expense for fiscal 2004, 2003, and 2002 was approximately $67,960,000, $59,869,000 and $51,466,000 respectively. Total contingent rent expense for fiscal 2004, 2003, and 2002 was insignificant.

Future minimum payments, by year and in the aggregate, under leases with initial or remaining terms of one year or more consist of the following (in thousands):

	Capital Leases	Operating Leases
2005	$ 1,037	$ 73,094
2006	788	73,208
2007	653	69,208
2008	345	65,651
2009	227	60,989
Thereafter	3,085	393,880
Total minimum lease payments	6,135	$ 736,030
Amount representing interest	(2,788)	
Present value of minimum lease payments	3,347	
Less: current portion	(882)	
Long-term capital lease obligations	$ 2,465	

Assets under capital leases were as follows (in thousands):

	2004	2003
Building and improvements	$ 3,756	$ 3,756
Computer software and hardware	1,676	--
Less: accumulated depreciation and amortization	(2,451)	(2,212)
	$ 2,981	$ 1,544

Note 8 - Derivative Financial Instruments:

During fiscal 2000, the Company entered into an interest rate swap agreement as a means of managing its interest rate exposure. This agreement, which matured in November 2003, had the effect of converting certain of the Company's variable rate obligations to fixed rate obligations.

The Company complies with SFAS 133 and recognized the fair value of the interest rate swap in its consolidated balance sheet. The Company regularly adjusted the carrying value of the interest rate swap to reflect its current fair value. The related gain or loss on the swap was deferred in stockholders' equity (as a component of comprehensive income) to the extent that the swap was an effective hedge. The deferred gain or loss was recognized in income in the period in which the related interest rate payments being hedged were recognized as an expense. However, to the extent that the change in value of an interest rate swap contract did not perfectly offset the change in the interest rate payments being hedged, the ineffective portion was immediately recognized as an expense. Net amounts paid or received were reflected as adjustments to interest expense.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 - Income Taxes:

The provision for income taxes, before cumulative effect of change in accounting principle, consists of the following (in thousands):

	2004	2003	2002
Current tax expense:			
Federal	$ 38,488	$ 25,662	$ 23,561
State	2,191	2,428	2,360
Total current	40,679	28,090	25,921
Deferred tax expense (benefit):			
Federal	(3,800)	6,122	(3,547)
State	(842)	435	(762)
Total deferred	(4,642)	6,557	(4,309)
Total provision	$ 36,037	$ 34,647	$ 21,612

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows (in thousands):

	2004	2003
Current tax assets:		
Inventory valuation	$ 9,312	$ 2,161
Accrued employee benefit costs	5,058	3,445
Other	5,651	1,957
	20,021	7,563
Current tax liabilities:		
Inventory basis difference	(8,146)	--
Other	(291)	(96)
	(8,437)	(96)
Net current tax asset	$ 11,584	$ 7,467
Non-current tax assets:		
Capital lease obligation basis difference	$ 924	$ 1,013
Rent expenses in excess of cash payments required	3,122	2,384
Property and equipment basis difference	1,569	--
Deferred compensation	1,006	--
Other	249	68
	6,870	3,465
Non-current tax liabilities:		
Depreciation	(11,809)	(8,964)
Capital lease assets basis difference	(717)	(656)
Other	(54)	(80)
	(12,580)	(9,700)
Net non-current tax liability	$ (5,710)	$ (6,235)

Management has evaluated the need for a valuation allowance for all or a portion of the deferred tax assets and believes that all of the deferred tax assets will more likely than not be realized through the future earnings of the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A reconciliation of the provision for income taxes to the amounts computed at the federal statutory rate is as follows (in thousands):

	2004	2003	2002
Tax provision at statutory rate	$ 35,037	$ 32,280	$ 20,922
Tax effect of:			
State income taxes, net of federal tax benefit	876	1,859	618
Permanent differences	154	359	56
Other	(30)	149	16
	$ 36,037	$ 34,647	$ 21,612

Note 10 - Capital Stock:

The authorized capital stock of the Company consists of common stock and preferred stock. The Company is authorized to issue 100,000,000 shares of Common Stock. The Company is also authorized to issue 40,000 shares of Preferred Stock, with such designations, rights and preferences as may be determined from time to time by the Board of Directors.

As a result of two two-for-one stock splits, stockholders of record as of August 4, 2003 and August 2, 2002 received one additional share of stock. The par value of the Company's common stock remains $0.008. All share and per share data included in the consolidated financial statements and notes thereto has been restated to give effect to the stock splits.

Note 11 - Comprehensive Income:

Comprehensive income includes the change in the fair value of the Company's interest rate swap agreement (which expired in November 2003), that qualifies for hedge accounting. Comprehensive income for each fiscal year is as follows (in thousands):

	2004	2003	2002
Net income – as reported	$ 64,069	$ 55,694	$ 38,165
Unrealized gain on interest rate swap agreement, Net of income taxes of $603 and $299 in fiscal 2003 and 2002, respectively	--	973	449
Comprehensive income	$ 64,069	$ 56,667	$ 38,614

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 - Net Income Per Share:

Net income per share is calculated as follows (in thousands, except per share amounts):

	2004		
	Income	**Shares**	**Per Share Amount**
Basic net income per share:			
Net income	$ 64,069	38,148	$ 1.68
Dilutive stock options outstanding		2,541	
Diluted net income per share	$ 64,069	40,689	$ 1.57

	2003		
	Income	**Shares**	**Per Share Amount**
Basic net income per share:			
Net income, before cumulative effect of accounting change	$ 57,582	37,076	$ 1.55
Cumulative effect of accounting change, net of income taxes	(1,888)	37,076	(0.05)
Net income	$ 55,694	37,076	$ 1.50
Diluted net income per share:			
Net income, before cumulative effect of accounting change	$ 57,582	40,271	$ 1.43
Cumulative effect of accounting change, net of income taxes	(1,888)	40,271	(0.05)
Net income	$ 55,694	40,271	$ 1.38

	2002		
	Income	**Shares**	**Per Share Amount**
Basic net income per share:			
Net income	$ 38,165	36,112	$ 1.06
Dilutive stock options outstanding		3,165	
Diluted net income per share	$ 38,165	39,277	$ 0.97

Anti-dilutive stock options excluded from the above calculations totaled 51,863 in 2004. There were no anti-dilutive stock options excluded from the calculations for fiscal 2003 or 2002.

Note 13 - Related Party Transactions:

In 2003, the Company sold certain recreational property acquired in 1982 to the Company's then Chief Executive Officer. The Company obtained independent appraisals of the property and utilized an independent agent and bidding process. The property was sold for $2,650,000 and the related gain of $2,100,000 was recognized in 2003 and included in selling, general and administrative expenses in the accompanying statement of income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14 - Retirement Benefit Plans:

The Company has a defined contribution benefit plan, the Tractor Supply Company 401(k) Retirement Savings Plan (the "Plan"), which provides retirement and other benefits for the Company's employees. Employees become eligible for participation at age 21 and upon completion of 12 consecutive months of employment and 1,000 or more hours of service. The Company matches (in cash) 100% of the employee's elective contributions up to 3% of the employee's compensation plus 50% of the employee's elective contributions from 3% to 6% of the employee's compensation. In no event shall the total Company match made on behalf of the employee exceed 4.5% of the employee's compensation. All current employer contributions are immediately 100% vested. Employer contributions in previous years did not vest immediately and accordingly as certain employees leave employment with the Company they forfeit their employer match. Company contributions to the Plan during fiscal 2004, 2003 and 2002, were approximately $1,772,000 (net of applied forfeitures of $62,000), $1,724,000 (net of applied forfeitures of $54,000), and $1,397,000 (net of applied forfeitures of $48,000), respectively.

In fiscal 2002, the Company began offering, through a deferred compensation program, the opportunity for certain qualifying employees to elect a deferral of up to 40% of their annual base salary and up to 100% of their annual incentive bonus under their respective incentive bonus programs. To be eligible for the salary deferral, each participant must contribute the maximum amount of salary to the Tractor Supply Company 401(k) Retirement Savings Plan subject to the Company's match. Under the deferred compensation program, the participants' salary deferral is matched by the Company, 100% on the first 3% of base salary contributed and 50% on the next 3% of base salary contributed limited to a maximum annual matching contribution of $4,500. Each participant's account earns simple annual interest at the prime rate as in effect on January 1 each year. Each participant is fully vested in all amounts credited to their deferred compensation account. Payments under the program, which are made in cash and paid in ten annual installments or in a single lump sum payment at the election of the participant, are made within 30 days following the earlier of the participant's (i) death, (ii) retirement, (iii) total and permanent disability, (iv) termination of employment with the Company, or (v) some other date designated by the participant at the time of the initial deferral. The Company's contributions, including accrued interest, were $97,000, $104,000 and $93,000 for fiscal 2004, 2003 and 2002, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 - Stock-based Compensation Plans:

Fixed Stock Option Plan

The Company has a stock option plan for officers, directors (including non-employee directors) and key employees which currently reserves a total of 4,000,000 shares of common stock for future issuance. As of December 25, 2004, there were 1,565,066 shares of common stock remaining available for future issuance. According to the terms of the plan, the per share exercise price of options granted shall not be less than the fair market value of the stock on the date of grant and such options will expire no later than ten years from the date of grant. In the case of a stockholder owning more than 10% of the outstanding voting stock of the Company, the exercise price of an incentive stock option may not be less than 110% of the fair market value of the stock on the date of grant and such options will expire no later than five years from the date of grant. Also, the aggregate fair market value of the stock with respect to which incentive stock options are exercisable on a tax deferred basis for the first time by an individual in any calendar year may not exceed $100,000. Options granted prior to fiscal 2002 generally vest one-third each year beginning on the third anniversary date of the grant and expire after ten years, provided, however, that options granted to non-employee directors vest one-third each year beginning on the first anniversary of the grant. All options granted after fiscal 2001 vest one-third each year beginning on the first anniversary of the grant.

Plan activity is summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 29, 2001	4,186,844	$ 4.13
Exercised	(819,810)	$ 5.12
Granted	1,245,600	$ 9.11
Canceled	(72,000)	$ 5.76
Outstanding at December 28, 2002	4,540,634	$ 5.29
Exercised	(871,661)	$ 5.59
Granted	724,600	$ 20.26
Canceled	(336,788)	$ 6.72
Outstanding at December 27, 2003	4,056,785	$ 7.80
Exercised	(870,622)	$ 6.10
Granted	418,600	$ 42.21
Canceled	(125,269)	$ 10.30
Outstanding at December 25, 2004	3,479,494	$ 12.28

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes information concerning currently outstanding and exercisable options:

		Options Outstanding			Options Exercisable	
Year	Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
1997	$ 4.44	10,000	2.63	$ 4.44	10,000	$ 4.44
1998	$ 3.61	668	3.07	3.61	668	3.61
1999	$ 6.45 - $ 6.69	101,476	4.07	6.46	101,476	6.46
2000	$ 3.73 - $ 3.79	408,521	5.09	3.74	281,681	3.74
2000	$ 2.24	133,334	5.85	2.24	88,889	2.24
2001	$ 3.36	1,012,562	6.08	3.36	354,854	3.36
2002	$ 8.91 - $ 9.80	797,375	5.83	9.13	531,583	9.13
2002	$ 14.22	9,334	7.56	14.22	6,223	14.22
2003	$ 19.64 - $ 25.11	589,424	7.24	20.08	196,475	20.08
2003	$ 38.98	10,000	8.81	38.98	3,333	38.98
2004	$ 39.29 - $46.92	369,300	8.40	43.16	--	--
2004	$ 32.68	37,500	9.80	32.68	--	--
		3,479,494	6.32	$12.28	1,575,182	$ 8.87

The following summarizes information concerning stock option grants during fiscal 2004, 2003 and 2002:

	2004	2003	2002
Options granted with exercise price equal to market value:			
Weighted average exercise price	$ 41.57	$ 20.05	$ 8.98
Weighted average fair value	$ 22.84	$ 10.63	$ 4.97
Stock options granted	368,600	624,600	1,045,600
Options granted with exercise price greater than market value: [(a)]			
Weighted average exercise price	$ 46.92	$ 21.61	$ 9.80
Weighted average fair value	$ 17.14	$ 7.03	$ 4.36
Stock options granted	50,000	100,000	200,000

[(a)] According to the terms of the Company's stock option plan, in the case of a stockholder owning more than 10% of the outstanding voting stock of the Company, the exercise price of an incentive stock option may not be less than 110% of the fair market value of the stock on the date of grant and such options will expire no later than five years from the date of grant.

Associate Stock Purchase Plan

The Company provides an Associate Stock Purchase Plan (the "ASPP") whereby eligible employees of the Company have the opportunity to purchase, through payroll deductions, shares of common stock of the Company at a 15% discount. Pursuant to the terms of the ASPP, the Company issued 41,282, 52,900 and 71,374 shares of common stock in fiscal 2004, 2003 and 2002, respectively. The total cost to the Company of the 15% discount was approximately $220,000, $140,000 and $96,000 in fiscal 2004, 2003 and 2002, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16 - Contingencies:

Litigation

The Company is involved in various litigation matters arising in the ordinary course of business. After consultation with legal counsel, management expects these matters will be resolved without material adverse effect on the Company's consolidated financial position or results of operations. Any estimated loss related to such matters has been adequately provided in accrued liabilities to the extent probable and reasonably estimable. It is possible, however, that future results of operations for any particular quarterly or annual period could be materially affected by changes in circumstances relating to these proceedings.

In July 2004, a purported shareholder derivative lawsuit was filed in the Chancery Court for Davidson County, Tennessee by the Hawaii Laborers Pension Plan against each of the Company's directors, certain of its officers and one former director. The Company was named as a nominal defendant. On September 17, 2004, the plaintiff filed an amended complaint which alleged breaches of fiduciary duty, acts of bad faith, abuse of control, mismanagement, waste of corporate assets, unjust enrichment and other violations of Tennessee law relating to the preparation of the Company's financial statements. The amended complaint sought, on behalf of the Company, unspecified damages, a constructive trust on certain of the defendant's proceeds from selling Company stock, injunctive relief, restitution, the plaintiff's costs and disbursements and such other relief as the Court deemed proper.

On October 8, 2004, the Company moved to dismiss the amended complaint for failure to make a pre-suit demand on the Board of Directors. On December 3, 2004, the Court granted the Company's motion to dismiss and ordered that all claims in the amended complaint be dismissed without prejudice. On February 17, 2005, the Court entered an order denying a motion by the plaintiff to alter or amend the December 3, 2004 order and judgment dismissing the amended complaint. The plaintiff has until March 21, 2005 to file a notice of appeal of the order.

Following the December 2004 dismissal of the derivative suit, attorneys representing the plaintiff in the shareholder derivative suit wrote the Company's Board of Directors demanding that the Company commence legal proceedings against the directors and officers whom the plaintiff had unsuccessfully sued for essentially the same matters alleged in the derivative suit. The Company's Board of Directors engaged the independent legal counsel and legal counsel retained the accountants which assisted the Audit Committee in its investigation of the allegations in the derivative suit to advise the Board with respect to the demand. Following a review of the investigation of the allegations set forth in the demand letter and the derivative suit, the non-employee members of the Company's Board of Directors determined that the claims proposed in the demand letter and derivative suit have no merit and that pursuing such claims would not be in the best interests of the Company. Based on this determination, the Company's Board of Directors refused the shareholder's demand to pursue legal action.

Internal Investigation

The Audit Committee of the Board of Directors has completed its previously disclosed investigation of the claims set forth in the derivative lawsuit. In July 2004, shortly after the Company learned of the derivative lawsuit, the Board of Directors directed the Audit Committee to conduct an investigation of the allegations. These allegations concerned the Company's accounting accruals and reserves for inventory, employee bonuses, payroll-related liabilities and vendor credits. The Audit Committee promptly retained independent legal counsel with no prior connection to the Company to assist the Audit Committee in evaluating these issues. The Audit Committee and its advisors were provided with full access to Company employees and documents. During the course of the Audit Committee's investigation, independent counsel, with the assistance of accountants that they retained, interviewed Company employees, met with the Company's external auditors, and reviewed a substantial amount of documentation related to the issues described above. The Audit Committee later expanded the review to encompass the Company's other reserves or accruals that involved management judgment.

Based on the investigation of the allegations described above, the Audit Committee determined that there were no material errors requiring restatement of the Company’s previously reported financial statements as they relate to such matters and found no evidence of fraud or misconduct by any of the Company's employees.

In reaching its conclusion that restatement of the Company’s previously reported financial statements was not required, the Audit Committee considered (1) the impact of the documentation insufficiencies and/or errors on each of the periods affected, (2) the lack of any material changes in prior period trends or earnings, (3) the nature of the documentation insufficiencies and errors, and (4) the age of financial statements impacted. The Audit Committee has reported its findings to the Company's Board of Directors and management, both of whom concurred with the Audit Committee’s determination. The Company's external auditors have also concurred with the determination.

While the Audit Committee determined that restatement of the Company's prior reported financial statements was not required for such matters, the Audit Committee found the following documentation insufficiencies and/or errors:

- In fiscal 2000, management calculated a total accrual of $4.3 million for the Company’s excess and slow moving inventory valuation reserve. A $1.0 million portion of this reserve (representing approximately 0.5% of the total year end inventory balance) relating to costs anticipated to be incurred to move inventory from one store location to another was not sufficiently supported. In fiscal 2001, the rationale and calculation of this portion of the reserve was changed to a mechanical formula, but a $0.8 million portion of the reserve (representing 0.4% of the total year end inventory) was still not sufficiently supported. By the third quarter of fiscal 2002, the entire inventory valuation reserve was properly supported.

- Due to larger than typical performance-based bonuses in fiscal 2002, the maximum limits on certain fringe benefits were met, resulting in a lower than estimated fringe benefit expense being incurred. This circumstance resulted in the year-end estimate being overstated by $790,000. Also, due to forfeitures resulting from employee terminations after the end of year, the Company’s ultimate incentive payments for fiscal 2002 were reduced by $137,000. The combination of these two circumstances resulted in the Company’s incentive expense for the first quarter of fiscal 2003 being reduced by $927,000.

- In estimating certain payroll-related liabilities for fiscal 1999 through the second quarter of fiscal 2004, management did not sufficiently document its rationale and support for certain judgments concerning estimated claims incurred but not reported for medical costs, workers’ compensation and general liability. Since the second quarter of fiscal 2004, the rationale and support for these liabilities have been fully documented.

The Audit Committee concluded that the items addressed above have been fully corrected, also noting that management has dedicated additional accounting and other resources to these areas to further enhance controls.

Self Insurance

During the third fiscal quarter of 2004, the Company determined, through assistance with insurance industry analysts, that one of its former insurance carriers appears insolvent. The carrier insures the Company for both workers’ compensation and general liability claims for policy years 1999 through 2001. The Company’s exposure to related claims are at risk of not being limited to previously established stop-loss aggregates. A charge of $0.5 million was recognized in the current year for the estimated additional cost to the Company due to the expected loss of stop-loss coverage. This additional estimated liability was determined using a third party actuary service. There can be no assurance that the Company will not incur additional claims in excess of the estimated amounts.

Sales Tax Compliance

A portion of the Company's sales are with tax-exempt customers. The Company obtains exemption information as a necessary part of each tax exempt transaction. Many of the states in which the Company conducts business will audit the Company to verify its compliance with applicable sales tax laws. The business activities of the Company's customers and the intended use of the unique products sold by the Company create a challenging and complex environment of compliance. These circumstances also create some risk that the Company could be challenged as to the propriety of its sales tax compliance. While the Company believes it reasonably enforces sales tax compliance with its customers and endeavors to fully comply with all applicable sales tax regulations, there can be no assurance that the Company, upon final completion of such audits, would not have a significant liability for disallowed exemptions. Management believes it has adequately provided for such liability based on known assessments and expected settlements.

Note 17 – Move of Corporate Facility:

In July 2004, the Company relocated its existing headquarters to consolidate multiple headquarter facilities within one facility. The Company recognized incremental after-tax costs of approximately $2.1 million primarily related to remaining facility and technology lease obligations and other moving costs.

Note 18 - Impact of Recently Issued Accounting Standards:

In December 2004, the FASB published Statement No. 123 (revised 2004), "Share-Based Payment". The impact of this Statement on the Company's financial position and operations has been discussed in Note 1.

In November of 2004, the FASB issued Statement of Financial Accounting Standards No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4" ("SFAS 151"). The purpose of this statement is to clarify the accounting of abnormal amounts of idle facility expense, freight, handling costs and waste material. ARB No. 43 stated that under some circumstances these costs may be so abnormal that they are required to be treated as current period costs. SFAS 151 requires that these costs be treated as current period costs regardless if they meet the criteria of "so abnormal." The provisions of SFAS 151 shall be effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Although the Company will continue to evaluate the application of SFAS 151, management does not believe adoption will have a material impact on its results of operations or financial position.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 153, "Exchanges of Nonmonetary Assets, an Amendment of APB Opinion No. 29" ("SFAS 153"). SFAS 153 is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. SFAS 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005, with earlier application permitted. Although the Company will continue to evaluate the application of SFAS 153, management does not believe adoption will have a material impact on its results of operations or financial position.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the officers who certify the Company's financial reports and to other members of senior management and the Board of Directors.

Based on their evaluation as of December 25, 2004, the principal executive officer and principal financial officer of the Company have concluded that, due to the material weakness discussed in Management's Report on Internal Control Over Financial Reporting on page 28 hereof, the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were not effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

Management's Report on Internal Control Over Financial Reporting

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 25, 2004 and the attestation report of Ernst & Young LLP on management's assessment of the Company's internal control over financial reporting are contained on pages 28 and 29, respectively, of this report.

Change in Internal Control Over Financial Reporting

There are no changes in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Item 9B. Other Information

None

PART III

Item 10. Directors and Executive Officers of the Registrant

The information set forth under the captions “Corporate Governance – Code of Ethics,” “Item 3: Election of Directors,” “Board Meetings and Committees,” and "Compliance with Section 16(a) of the Securities Exchange Act of 1934" on pages 5, 8 through 11, and 25, respectively, of the Company's Proxy Statement for its Annual Meeting of Stockholders to be held on April 21, 2005 is incorporated herein by reference.

The information set forth under the caption "Executive Officers of the Registrant" in Part I of this Form 10-K is incorporated herein by reference.

Item 11. Executive Compensation

The information set forth under the captions "Compensation of Directors", "Compensation Committee Interlocks and Insider Participation", "Executive Compensation", "Compensation Committee Report on Executive Compensation", "Summary Compensation", "Option Grants in Last Fiscal Year", "Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values" and "Stock Performance Chart" on pages 12 through 24 of the Company's Proxy Statement for its Annual Meeting of Stockholders to be held on April 21, 2005 is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" on pages 25 and 26 of the Company's Proxy Statement for its Annual Meeting of Stockholders to be held on April 21, 2005 is incorporated herein by reference.

Following is a summary of the Company’s equity compensation plans as of December 25, 2004, under which equity securities are authorized for issuance, aggregated as follows:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance
Equity compensation plans approved by security holders:			
2000 Stock Incentive Plan	2,100,111	$ 13.30	1,565,066
1994 Stock Option Plan [b]	1,379,383	$ 10.73	---
Employee Stock Purchase Plan [a]	---	---	3,426,476
Total	3,479,494	$ 12.28	4,991,542

(a) Represents shares available as of January 1, 2005.

(b) The 1994 Stock Option Plan was adopted by the Company prior to its initial public offering and expired in February 2004.

The information set forth under the caption “Stock-Based Compensation Plans” in the “Notes to Consolidated Financial Statements” contained in this Report, provides further information with respect to the material features of each plan.

Item 13. Certain Relationships and Related Transactions

The information set forth under the caption "Related-Party Transactions with Tractor Supply Company" on page 13 of the Company's Proxy Statement for its Annual Meeting of Stockholders to be held on April 21, 2005 is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information set forth under the caption “Item 5 – Ratification of Reappointment of Independent Auditors” on page 27 of the Company’s Proxy Statement for its Annual Meeting of Stockholders to be held on April 21, 2005, is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) (1) Financial Statements

See Consolidated Financial Statements under Item 8 on pages 27 through 54 of this Report.

(a) (2) Financial Statement Schedules

None

Financial statement schedules have been omitted because they are not applicable or because the required information is otherwise furnished.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

TRACTOR SUPPLY COMPANY

Date: March 10, 2005

By: / s / Calvin B. Massmann
Calvin B. Massmann
Senior Vice President – Chief Financial Officer and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Calvin B. Massmann Calvin B. Massmann	Senior Vice President – Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 10, 2005
/s/ James F. Wright James F. Wright	President and Chief Executive Officer and Director (Principal Executive Officer)	March 10, 2005
/s/ Joseph H. Scarlett, Jr. Joseph H. Scarlett, Jr.	Chairman of the Board	March 10, 2005
/s/ S.P. Braud S.P. Braud	Director	March 10, 2005
/s/ Cynthia T. Jamison Cynthia T. Jamison	Director	March 10, 2005
/s/Gerard E. Jones Gerard E. Jones	Director	March 10, 2005
/s/ Joseph D. Maxwell Joseph D. Maxwell	Director	March 10, 2005
/s/ Edna K. Morris Edna K. Morris	Director	March 10, 2005
/s/ Sam K. Reed Sam K. Reed	Director	March 10, 2005
/s/ Joseph M. Rodgers Joseph M. Rodgers	Director	March 10, 2005

THE TRACTOR SUPPLY CO BOARD OF DIRECTORS

Joseph H. Scarlett, Jr.
Chairman of the Board
Tractor Supply Company

James F. Wright
President and Chief Executive Officer
Tractor Supply Company

Joseph D. Maxwell
Retired Vice President
Tractor Supply Company

S.P. Braud (1)* (3)
Retired Chief Financial Officer
Service Merchandise Company, Inc. and
Vice President and Director
Braud Design/Build, Inc.

Cynthia T. Jamison (1) (2)*
Chief Financial Officer
Cosi, Inc.
Partner
Tatum CFO Partners, LLP

Gerard E. Jones (3)* (4)
Managing Partner
Corporate Governance Advisors, LLC

Edna K. Morris (2) (4)
Member, Board of Trustees
Culinary Institute of America
Former President, Red Lobster,
Subsidiary of Darden Restaurants, Inc.

Sam K. Reed (3) (4)*
Chairman and Chief Executive Officer
Specialty Foods Group of
Dean Foods Company

Joseph M. Rodgers (1) (2)
Chairman of the Board
The JMR Group and former
U.S. Ambassador to France

(1) Audit Committee
(2) Compensation Committee
(3) Nominating Committee
(4) Corporate Governance Committee
(*) Committee Chairperson

EXECUTIVE OFFICERS

James F. Wright
President and
Chief Executive Officer

Calvin B. Massmann
Senior Vice President,
Chief Financial Officer
and Treasurer

Gerald W. Brase
Senior Vice President
Merchandising

Stanley L. Ruta
Senior Vice President
Store Operations

SHAREHOLDER INFORMATION

Corporate Address
Tractor Supply Company
200 Powell Place
Brentwood, TN 37027
(615) 366-4600

Transfer Agent and Registrar
EquiServe Trust Company, N.A.
P.O. Box 43010
Providence, RI
02940-3010

Independent Auditors
Ernst & Young LLP
SunTrust Financial Center
Suite 1100
424 Church Street
Nashville, TN 37219

Annual Meeting
April 21, 2005, 10:00am CST
Tractor Supply Company
Store Support Center
200 Powell Place
Brentwood, TN 37027

Number of Stockholders
As of January 31, 2005, there were approximately 150 stockholders of record. This number excludes an estimated 17,000 individual stockholders holding stock under nominee security position listings.

Stock Exchange Listing
The NASDAQ National Market
Ticker Symbol: TSCO

Internet Address
www.myTSCstore.com

OUR BUSINESS

We are committed to be the most dependable supplier of basic maintenance products to farm, ranch and rural customers.

OUR PEOPLE

We value honesty, integrity, mutual respect and teamwork above all else.

We are an open company where everyone has the information and tools to grow and excel.

We encourage risk-taking, celebrate initiative and reward success.

OUR STAKEHOLDERS

We are a growth company.

We consistently grow sales and profits by continuous improvement throughout the company.