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BOOKS A MILLION INC
Form 10-Q
December 15, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended: November 1, 2003

- OR -

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transaction period from _____ to _____

COMMISSION FILE NUMBER 0-20664

BOOKS-A-MILLION, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction
of incorporation or organization)

63-0798460

(IRS Employer Identification No.)

402 INDUSTRIAL LANE, BIRMINGHAM, ALABAMA

(Address of principal executive offices)

35211

(Zip Code)

(205) 942-3737

(Registrant's phone number including area code)

NONE

(Former name, former address and former fiscal year,
if changed since last period)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

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Yes [] No [X]

Indicate the number of shares outstanding of each of the issuer's common stock, as of the latest practicable date: Shares of common stock, par value \$.01 per share, outstanding as of December 12, 2003 were 16,404,419 shares.

BOOKS-A-MILLION, INC. AND SUBSIDIARIES

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PART 1. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
BOOKS-A-MILLION, INC. & SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

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AS OF NOVEMBER 1, 2003

ASSETS	(UNAUDITED)
CURRENT ASSETS:	
Cash and cash equivalents	\$ 4,853
Accounts receivable, net	6,613
Related party accounts receivable, net	475
Inventories	243,237
Prepayments and other	4,141
Deferred income taxes	5,255

TOTAL CURRENT ASSETS	264,574

PROPERTY AND EQUIPMENT:	
Gross property and equipment	165,120
Less accumulated depreciation and amortization	112,841

NET PROPERTY AND EQUIPMENT	52,279

OTHER ASSETS	1,652

TOTAL ASSETS	\$ 318,505
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Accounts payable	\$ 100,016
Related party accounts payable	6,927
Accrued expenses	27,131
Accrued income taxes	933
Current portion of long-term debt	23,469

TOTAL CURRENT LIABILITIES	158,476

LONG-TERM DEBT	35,018
DEFERRED INCOME TAXES	588
OTHER LONG-TERM LIABILITIES	1,580

TOTAL NON-CURRENT LIABILITIES	37,186

COMMITMENTS AND CONTINGENCIES (NOTE 5)	
STOCKHOLDERS' EQUITY:	
Preferred stock, \$.01 par value, 1,000,000 shares authorized, no shares outstanding	--
Common stock, \$.01 par value, 30,000,000 shares authorized, 18,305,414 and 18,211,706 shares issued at November 1, 2003 and February 1, 2003, respectively	183
Additional paid-in capital	71,024
Less treasury stock, at cost; (2,010,050 shares at November 1, 2003 and February 1, 2003)	(5,271)
Accumulated other comprehensive loss, net of tax	(984)
Retained earnings	57,891

TOTAL STOCKHOLDERS' EQUITY	122,843

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 318,505
	=====

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SEE ACCOMPANYING NOTES

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BOOKS-A-MILLION, INC. & SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
 (UNAUDITED)

	THIRTEEN WEEKS ENDED	
	NOVEMBER 1, 2003	NOVEMBER 2, 2002
	-----	-----
NET SALES	\$ 103,067	\$ 96,694
Cost of products sold (including warehouse distribution and store occupancy costs) (1)	76,720	73,952
GROSS PROFIT	26,347	22,742
Operating, selling and administrative expenses	22,899	21,774
Depreciation and amortization	3,864	4,078
OPERATING INCOME (LOSS).....	(416)	(3,110)
Interest expense, net	747	1,274
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE ..	(1,163)	(4,384)
Income taxes benefit	442	1,667
LOSS FROM CONTINUING OPERATIONS BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	(721)	(2,717)
DISCONTINUED OPERATIONS (NOTE 10)		
Loss from discontinued operations before income taxes	(54)	(60)
Income tax benefit	20	22
LOSS FROM DISCONTINUED OPERATIONS	(34)	(38)
LOSS BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	(755)	(2,755)
CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE, NET OF DEFERRED INCOME TAX BENEFIT OF \$736	--	--
NET LOSS	\$ (755)	\$ (2,755)
NET LOSS PER COMMON SHARE:		
BASIC:		
LOSS FROM CONTINUING OPERATIONS BEFORE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	\$ (0.05)	\$ (0.17)
LOSS FROM DISCONTINUED OPERATIONS	(0.00)	(0.00)
LOSS BEFORE CUMULATIVE EFFECT OF A CHANGE IN	(0.05)	(0.17)
ACCOUNTING PRINCIPLE		

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CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	--	--
	-----	-----
NET LOSS	\$ (0.05)	\$ (0.17)
	=====	=====
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC	16,278	16,200
	=====	=====
DILUTED:		
LOSS FROM CONTINUING OPERATIONS BEFORE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	\$ (0.05)	\$ (0.17)
LOSS FROM DISCONTINUED OPERATIONS	(0.00)	(0.00)
	-----	-----
LOSS BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	(0.05)	(0.17)
CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	--	--
	-----	-----
NET LOSS	\$ (0.05)	\$ (0.17)
	=====	=====
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED	16,278	16,200
	=====	=====

(1) Inventory purchases from related parties were \$9,128, \$11,777, \$26,784 and \$25,297, respectively, for each of the periods presented above.

SEE ACCOMPANYING NOTES

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BOOKS-A-MILLION, INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)
(UNAUDITED)

	THIRTY-NINE WEEKS ENDED	
	NOVEMBER 1, 2003	NOVEMBER 2,
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (436)	\$ (4,492)
	-----	-----
Adjustments to reconcile net loss to net cash used in operating activities:		
Cumulative effect of change in accounting principle	--	1,201
Depreciation and amortization	11,881	11,966
Loss on disposal of property	644	1
Change in deferred income taxes	(384)	(2,125)
Increase in inventories	(19,219)	(36,986)
Increase (decrease) in accounts payable	(1,713)	8,513
Changes in certain other assets and liabilities .	3,086	(2,268)
	-----	-----
Total adjustments	(5,705)	(19,698)
	-----	-----
Net cash used in operating activities	(6,141)	(24,190)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(7,568)	(12,038)

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Proceeds from sale of equipment	34	16
	-----	-----
Net cash used in investing activities	(7,534)	(12,022)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under credit facilities	154,070	152,556
Repayments under credit facilities	(140,695)	(117,041)
Proceeds from sale of common stock, net	176	127
	-----	-----
Net cash provided by financing activities	13,551	35,642
	-----	-----
Net increase in cash and cash equivalents	(124)	(570)
Cash and cash equivalents at beginning of period	4,977	5,212
	-----	-----
Cash and cash equivalents at end of period	\$ 4,853	\$ 4,642
	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the thirty-nine week period for:		
Interest	\$ 2,457	\$ 2,893
Income taxes, net of refunds	\$ 1,713	\$ 1,644

SEE ACCOMPANYING NOTES

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BOOKS-A-MILLION, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Books-A-Million, Inc. and its subsidiaries (the "Company") for the thirteen and thirty-nine week periods ended November 1, 2003 and November 2, 2002, have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and are presented in accordance with the requirements of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto, for the fiscal year ended February 1, 2003, included in the Company's Fiscal 2003 Annual Report on Form 10-K. In the opinion of management, the financial statements included herein contain all adjustments (consisting only of normal recurring adjustments except for the change in the accounting principle as discussed in Note 7) considered necessary for a fair presentation of the Company's financial position as of November 1, 2003, and the results of its operations and cash flows for the thirteen and thirty-nine week periods ended November 1, 2003 and November 2, 2002. Certain prior year amounts have been reclassified to conform to current year presentation.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates and assumptions.

The Company has also experienced, and expects to continue to experience, significant variability in sales and net income from quarter to

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quarter. Therefore, the results of the interim periods presented herein are not necessarily indicative of the results to be expected for any other interim period or the full year.

Stock-Based Compensation

At November 1, 2003 and February 1, 2003, the Company had one stock option plan. The Company accounts for the plan under the recognition and measurement principles of Accounting Pronouncements Bulletin (APB) Opinion No. 25, "Accounting for Stock Issued to Employees", and related Interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under the plan had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income (loss) and net income (loss) per common share if the Company had applied the fair value recognition provisions of Statement of Financial Accounting Standards No. 148 ("SFAS 148"), "Accounting for Stock-Based Compensation--Transaction and Disclosure--an Amendment of FASB Statement No. 123," to stock-based employee compensation (in thousands except per share amounts):

In thousands	For the Thirteen Weeks Ended		November 2, 2002
	November 1, 2003		
Net loss, as reported	\$ (755)	\$ (2,755)	\$
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax effects ...	328	283	
Pro forma net loss	\$ (1,083)	\$ (3,038)	\$
Net loss per common share:			
Basic--as reported	\$ (0.05)	\$ (0.17)	\$
Basic--pro forma	\$ (0.07)	\$ (0.19)	\$
Diluted--as reported	\$ (0.05)	\$ (0.17)	\$
Diluted--pro forma	\$ (0.07)	\$ (0.19)	\$

The fair value of the options granted under the Company's stock option plan was estimated on their date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions for fiscal 2004 and 2003: no dividend yield; expected volatility of 1.01% and 1.21%, respectively; risk-free interest rates of 3.63% to 5.10% and 3.76% to 5.71%, respectively; and expected lives of six or ten years.

2. NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share ("EPS") is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS

reflects the potential dilution that could occur if securities or other contracts to issue common stock are exercised or converted into common stock or resulted in the issuance of common stock that then shared

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in the earnings of the Company. Diluted EPS has been computed based on the weighted average number of shares outstanding including the effect of outstanding stock options, if dilutive, in each respective thirteen and thirty-nine week period. A reconciliation of the weighted average shares for basic and diluted EPS is as follows:

	For the Thirteen Weeks Ended (in thousands)	
	November 1, 2003	November 2, 2002
Weighted average shares outstanding:		
Basic	16,278	16,200
Dilutive effect of stock options outstanding	--	--
	-----	-----
Diluted	16,278	16,200
	=====	=====

	For the Thirty-Nine Weeks Ended (in thousands)	
	November 1, 2003	November 2, 2002
Weighted average shares outstanding:		
Basic	16,249	16,187
Dilutive effect of stock options outstanding	--	--
	-----	-----
Diluted	16,249	16,187
	=====	=====

Options outstanding to purchase 2,403,000 and 2,374,000 shares of common stock for the thirteen and thirty-nine weeks ended November 1, 2003 and November 2, 2002, respectively, were not included in the table above as they were anti-dilutive under the treasury stock method.

3. DERIVATIVE AND HEDGING ACTIVITIES

The Company is subject to interest rate fluctuations involving its credit facilities and debt related to an Industrial Development Revenue Bond (the "Bond"). However, the Company uses both fixed and variable debt to manage this exposure. On February 9, 1998, the Company entered into an interest rate swap agreement with a five-year term that carried a notional principal amount of \$30 million. The swap effectively fixed the interest rate on \$30.0 million of variable rate debt at 7.41% and expired February 2003. The Company entered into two separate \$10 million swaps on July 24, 2002. Both expire August 2005 and effectively fix the interest rate on \$20 million of variable debt at 5.13%. In addition, the Company entered into a \$7.5 million interest rate swap in May 1996 that expires in June 2006 and effectively fixes the interest rate on the Bond at 7.98%. The counter parties to the interest rate swaps are two primary banks in the Company's credit facility. The Company believes the credit and liquidity risk of the counter parties failing to meet their obligation is remote as the Company settles its interest position with the banks on a quarterly basis.

The Company's interest rate swaps that convert variable payments to

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fixed payments are designated as cash flow hedges. Cash flow hedges protect against the variability in future cash outflows of current or forecasted debt. The changes in the fair value of these hedges are reported on the balance sheet with a corresponding adjustment to accumulated other comprehensive income (loss). Over time, the unrealized gains and losses held in accumulated other comprehensive income (loss) may be realized and reflected in the Company's Statements of Operations.

The interest rate swaps described above are classified as Other Long-Term Liabilities in the accompanying condensed consolidated balance sheets at their fair value of \$1.6 million and \$2.1 million as of November 1, 2003 and February 1, 2003, respectively. For the thirteen weeks ended November 1, 2003 and November 2, 2002, respectively, adjustment gains (losses) of (\$53,000) (net of tax benefit of \$33,000) and \$280,000 (net of tax provision of \$171,000) and in the thirty-nine weeks ended November 1, 2003 and November 2, 2002, respectively, adjustments of \$234,000 (net of tax provision of \$144,000) and \$170,000 (net of tax provision of \$104,000) were recorded as unrealized gains or losses in accumulated other comprehensive income (loss) and are detailed in Note 4.

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BOOKS-A-MILLION, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (UNAUDITED)

4. COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) is net income or loss, plus certain other items that are recorded directly to stockholders' equity. The only such items currently applicable to the Company are the unrealized gains (losses) on the derivative instruments explained in Note 3, as follows:

COMPREHENSIVE INCOME (LOSS)	Thirteen Weeks Ended (in thousands)		T
	November 1, 2003	November 2, 2002	November
	-----	-----	-----
Net loss	(\$ 755)	(\$2,755)	(\$
Unrealized gains (losses) on derivative instruments, net of deferred tax provision (benefit) for the thirteen-week periods of (\$33) and \$171, respectively, and the thirty-nine week periods of \$144 and \$104, respectively ...	(53)	280	
	-----	-----	
Total comprehensive loss	(\$ 808)	(\$2,475)	(\$
	=====	=====	=====

5. COMMITMENTS AND CONTINGENCIES

The Company is a party to various legal proceedings incidental to its business. In the opinion of management, after consultation with legal

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counsel, the ultimate liability, if any, with respect to those proceedings is not presently expected to materially affect the financial position, results of operations or cash flows of the Company.

From time to time, the Company enters into certain types of agreements that require the Company to indemnify parties against third party claims under certain circumstances. Generally these agreements relate to: (a) agreements with vendors and suppliers, under which the Company may provide customary indemnification to its vendors and suppliers in respect of actions they take at the Company's request or otherwise on its behalf, (b) agreements with vendors who publish books or manufacture merchandise specifically for the Company to indemnify the vendors against trademark and copyright infringement claims concerning the books published or merchandise manufactured on behalf of the Company, and (c) real estate leases, under which the Company may agree to indemnify the lessors from claims arising from the Company's use of the property.

The nature and terms of these types of indemnities vary. The events or circumstances that would require the Company to perform under these indemnities are transaction and circumstance specific. Generally, a maximum obligation is not explicitly stated and therefore the overall maximum amount of the obligations cannot be reasonably estimated. Historically, the Company has not incurred significant costs related to performance under these types of indemnities. No liabilities have been recorded for these obligations on the Company's balance sheet at November 1, 2003 and February 2, 2003.

6. INVENTORIES

As of February 2, 2003, the Company changed from the first-in, first-out (FIFO) method of accounting for inventories to the last-in, first-out (LIFO) method. Management believes this change is preferable in that it achieves a more appropriate matching of revenues and expenses. The impact of this accounting change was to increase "Costs of Products Sold" in the consolidated statements of operations by \$0.1 million and \$0.4 million for the thirteen and thirty-nine weeks ended November 1, 2003. This resulted in an after-tax decrease to net income of \$0.1 million or a decrease in net income per diluted share of \$0.01, for the thirteen weeks ended November 1, 2003, and an after-tax decrease to net income of \$0.3 million or a decrease in net income per diluted share of \$0.02, for the thirty-nine weeks ended November 1, 2003. The cumulative effect of a change in accounting principle from the FIFO method to LIFO method is not determinable. Accordingly, such change has been accounted for prospectively. In addition, pro forma amounts retroactively applying the change cannot be reasonably estimated and have not been disclosed.

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BOOKS-A-MILLION, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Inventories were:

(In thousands)	November 1, 2003 -----	February 1, 2003 -----
Inventories (at FIFO)	\$ 243,685	\$ 224,019
LIFO reserve	(448)	-
	-----	-----
Net inventories	\$ 243,237	\$ 224,019
	=====	=====

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7. VENDOR ALLOWANCES

The Company receives allowances from its vendors from a variety of programs and arrangements, including merchandise placement and cooperative advertising programs. Effective February 3, 2002, the Company adopted the provisions of Emerging Issues Task Force ("EITF") No. 02-16, Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor, which addresses the accounting for vendor allowances. As a result of the adoption of this statement, vendor allowances in excess of incremental direct costs are reflected as a reduction of inventory costs and recognized in cost of products sold upon the sale of related inventory. The impact of the adoption of EITF No. 02-16 is reflected as a cumulative effect of a change in accounting principle as of February 3, 2002 of approximately \$1.2 million (net of income tax benefit of \$736,000), or \$0.08 per diluted share increase to net loss. Prior to fiscal 2003, the Company recognized these vendor allowances over the period covered by the vendor arrangement.

8. BUSINESS SEGMENTS

The Company has two reportable segments: retail trade and electronic commerce trade. The retail trade segment is a strategic business segment that is engaged in the retail trade of mostly book merchandise and includes the Company's distribution center operations, which predominately supplies merchandise to the Company's retail stores. The electronic commerce trade segment is a strategic business segment that transacts business over the internet and is managed separately due to divergent technology and marketing requirements.

The accounting policies of the segments are substantially the same as those described in the Company's Fiscal 2003 Annual Report on Form 10-K. The Company evaluates performance of the segments based on profit and loss from operations before interest and income taxes. Certain intersegment cost allocations have been made based upon consolidated and segment revenues.

BOOKS-A-MILLION, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (UNAUDITED)

SEGMENT INFORMATION (IN THOUSANDS)

	Thirteen Weeks Ended		Th
	November 1, 2003	November 2, 2002	
NET SALES			
Retail Trade	\$ 101,317	\$ 95,442	\$ 3
Electronic Commerce Trade.....	6,789	5,968	

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Intersegment Sales Elimination	(5,039)	(4,716)	(
	-----	-----	---
Total Sales	\$ 103,067	\$ 96,694	\$ 3
	=====	=====	==
OPERATING INCOME (LOSS)			
Retail Trade	\$ (528)	\$ (2,912)	\$
Electronic Commerce Trade	82	(225)	
Intersegment Elimination of Certain Costs	30	27	
	-----	-----	---
Total Operating Income (Loss)	\$ (416)	\$ (3,110)	\$
	=====	=====	==
	As of November 1, 2003	As of February 1, 2003	
	-----	-----	
ASSETS			
Retail Trade	\$ 317,199	\$ 306,542	
Electronic Commerce Trade	1,871	1,752	
Intersegment Asset Elimination	(565)	(576)	
	-----	-----	
Total Assets	\$ 318,505	\$ 307,718	
	=====	=====	

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BOOKS-A-MILLION, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

9. RECENT ACCOUNTING PRONOUNCEMENTS

FIN No. 46, "Consolidation of Variable Interest Entities", was issued in January 2003. This interpretation requires consolidation of variable interest entities ("VIE") (also formerly referred to as "special purpose entities") if certain conditions are met. The interpretation applies immediately to VIE's created after January 31, 2003, and to interests obtained in VIE's after January 31, 2003. Beginning after June 15, 2003, the interpretation applies also to VIE's created or interests obtained in VIE's before January 31, 2003. The Company does not believe that this statement has a material impact on its financial position, results of operations or cash flows.

10. DISCONTINUED OPERATIONS

Discontinued operations represent the closure of the Company's only stores in a North Carolina and a Georgia market. The North Carolina store

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closed during the thirteen weeks ended May 3, 2003, and the Georgia store closed during the thirteen weeks ended August 2, 2003. These stores had sales of \$0 and \$562,000 and pretax operating losses of \$54,000 and \$60,000 for the thirteen-week periods ended November 1, 2003 and November 2, 2002, respectively. For the thirty-nine weeks ended November 1, 2003 and November 2, 2002, these stores had sales of \$1,004,000 and \$1,795,000 and pretax operating losses of \$329,000 and \$143,000, respectively. Included in the loss on discontinued operations are closing costs of \$54,000 and \$136,000 for the thirteen and thirty-nine week periods ended November 1, 2003.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This document contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve a number of risks and uncertainties. A number of factors could cause actual results, performance, achievements of the Company, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, but are not limited to, the competitive environment in the book retail industry in general and in the Company's specific market areas; inflation; economic conditions in general and in the Company's specific market areas; the number of store openings and closings; the profitability of certain product lines, capital expenditures and future liquidity; liability and other claims asserted against the Company; uncertainties related to the Internet and the Company's Internet initiatives; and other factors referenced herein. In addition, such forward-looking statements are necessarily dependent upon the assumptions, estimates and dates that may be incorrect or imprecise and involve known and unknown risks, uncertainties and other factors. Accordingly, any forward-looking statements included herein do not purport to be predictions of future events or circumstances and may not be realized. Given these uncertainties, shareholders and prospective investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligations to update any such factors or to publicly announce the results of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

GENERAL

The Company was founded in 1917 and currently operates 203 retail bookstores, including 163 superstores, concentrated in the southeastern United States.

The Company's growth strategy is focused on opening superstores in new and existing market areas, particularly in the Southeast. In addition to opening new stores, management intends to continue its practice of reviewing the profitability trends and prospects of existing stores and closing or relocating under-performing stores or converting stores to different formats.

Comparable store sales are determined each fiscal quarter during the year based on all stores that have been open at least 12 full months as of the first day of the fiscal quarter. Any stores closed during a fiscal quarter are excluded from comparable store sales as of the first day of the quarter in which they close.

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RESULTS OF OPERATIONS

The following table sets forth statement of operations data expressed as a percentage of net sales for the periods presented.

	Thirteen Weeks Ended		November 1, 2003	November 2, 2002	November 1, 2002
	November 1, 2003	November 2, 2002	November 1, 2003	November 2, 2002	November 1, 2002
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Gross profit	25.6%	23.5%	25.6%	23.5%	23.5%
Operating, selling and administrative expenses	22.2%	22.5%	22.2%	22.5%	22.5%
Depreciation and amortization	3.8%	4.2%	3.8%	4.2%	4.2%
	-----	-----	-----	-----	-----
Operating income (loss)	(0.4)%	(3.2)%	(0.4)%	(3.2)%	(3.2)%
Interest expense, net	0.7%	1.3%	0.7%	1.3%	1.3%
	-----	-----	-----	-----	-----
Loss from continuing operations before income taxes and cumulative effect of a change in accounting principle	(1.1)%	(4.5)%	(1.1)%	(4.5)%	(4.5)%
Income taxes benefit	(0.4)%	(1.7)%	(0.4)%	(1.7)%	(1.7)%
	-----	-----	-----	-----	-----
Loss from continuing operations before cumulative effect of a change in accounting principle	(0.7)%	(2.8)%	(0.7)%	(2.8)%	(2.8)%
Loss from discontinued operations	--	--	--	--	--
	-----	-----	-----	-----	-----
Loss before cumulative effect of a change in accounting principle	(0.7)%	(2.8)%	(0.7)%	(2.8)%	(2.8)%
Cumulative effect of change in accounting principle	--	--	--	--	--
	-----	-----	-----	-----	-----
Net loss	(0.7)%	(2.8)%	(0.7)%	(2.8)%	(2.8)%
	=====	=====	=====	=====	=====

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Net sales increased 6.6% to \$103.1 million in the thirteen weeks ended November 1, 2003, from \$96.7 million in the thirteen weeks ended November 2, 2002. Net sales increased 4.6% to \$315.4 million in the thirty-nine weeks ended November 1, 2003, from \$301.4 million in the thirty-nine weeks ended November 2, 2002. Comparable store sales in the thirteen weeks ended November 1, 2003 increased 4.4% when compared with the same thirteen week period for the prior year. The increase in comparable store sales for the thirteen weeks was primarily due to higher sales in the book and cafe departments. The book sales increase was primarily driven by increased traffic and a strong line-up of bestseller titles during the quarter. The cafe department sales increase was led by the Company's new cold beverage product line of frappes as well as increased store traffic. Comparable store sales increased 2.6% for the thirty-nine weeks ended November 1, 2003 due to higher sales in the book, collector and cafe departments. The book sales increase was driven by Harry Potter sales during the second quarter, as well as a strong line-up of bestsellers this year. The collector sales increase was due to Yu-Gi-Oh sales and the cafe sales increase was due to sales of the Company's new cold beverage product line of frappes well

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as increased store traffic. During the thirteen weeks ended November 1, 2003, the Company opened one store and closed one store.

Net sales for the retail trade segment increased \$5.9 million, or 6.2%, to \$101.3 million in the thirteen weeks ended November 1, 2003 from \$95.4 million in the same period last year. The increase in sales was primarily due to higher comparable store sales, which increased 4.4% for the thirteen weeks. Net sales for the retail trade segment increased \$13.4 million, to \$310.8 million for the thirty-nine weeks ended November 1 2003, due to the improved sales during the second and third quarters. Net sales for the electronic commerce segment increased \$0.8 million, or 13.8%, to \$6.8 million in the thirteen weeks ended November 1, 2003 related to higher business to business order volume. For the thirty-nine weeks ended November 1, 2003, net sales for the electronic commerce segment increased \$1.2 million, to \$18.3 million from \$17.1 million in the same period last year.

Gross profit increased 15.9% to \$26.3 million in the thirteen weeks ended November 1, 2003 when compared with \$22.7 million in the same thirteen week period for the prior year. For the thirty-nine weeks ended November 1, 2003, gross profit increased 5.1% to \$82.3 million from \$78.3 million in the same period last year. Gross profit as a percentage of net sales for the thirteen weeks ended November 1, 2003 was 25.6% versus 23.5% in the same period last year. Gross profit as a percentage of net sales for the thirty-nine weeks ended November 1, 2003 was 26.1% versus 26.0% in the same period last year. The increase in gross profit stated as a percent of net sales for the thirteen week period was due to less promotional activity, improved sales mix to higher margin departments including cafes, and lower occupancy costs as a percentage of sales. Additionally, as of February 2, 2003, the Company changed from the first-in first-out (FIFO) method of accounting for inventories to the last-in first-out (LIFO) method. The impact of this accounting change was to decrease gross profit in the consolidated statements of operations by \$0.1 million and \$0.4 million for the thirteen and thirty-nine week periods ended November 1, 2003. Refer to Note 6 in the notes to the condensed consolidated financial statements for additional information related to this change.

Operating, selling and administrative expenses were \$22.9 million in the thirteen week period ended November 1, 2003 compared to \$21.8 million in the same period last year. For the thirty-nine weeks ended November 1, 2003, operating, selling and administrative expenses were \$68.3 million compared to \$68.3 million in the same period last year. Operating, selling and administrative expenses as a percentage of net sales for the thirteen weeks ended November 1, 2003 decreased to 22.2% from 22.5% in the same period last year. Operating, selling and administrative expenses as a percentage of net sales for the thirty-nine weeks ended November 1, 2003 decreased to 21.7% from 22.6% in the same period last year. The decrease in operating, selling and administrative expenses stated as a percent to sales was primarily due to strong expense controls in both corporate and store selling expenses. Additionally, store advertising expenses were lower than last year due to less promotions than normal.

Depreciation and amortization was \$3.9 million in the thirteen week period ended November 1, 2003 and \$4.1 million in the thirteen week period ended November 2, 2002. In the thirty-nine week period ended November 1, 2003 depreciation and amortization decreased 0.7% to \$11.9 million from \$12.0 million in the same period last year.

Consolidated operating loss was \$0.4 million for the thirteen weeks ended November 1, 2003, compared to \$3.1 million in the same period last year. For the thirty-nine weeks ended November 1, 2003, consolidated operating profit was \$2.1 million versus a loss of \$2.0 million last year. Operating loss for the retail trade segment decreased \$2.4 million for the thirteen weeks ended November 1, 2003, and operating profit increased \$4.0 million for the thirty-nine week

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period ended November 1, 2003. The decrease in operating loss for the quarter and increase in operating profit for the thirty-nine week period ended November 1, 2003 was due to strong profit growth driven by stronger comparable store sales. The operating profit for the electronic commerce segment was \$0.1 million for the thirteen weeks ended November 1, 2003 versus an operating loss of \$0.2 million in the same period last year. The increase in profit was due to higher

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

order volume in the business to business category. For the thirty-nine week periods ended November 1, 2003 and November 2, 2002, the operating loss for the electronic commerce segment was \$0.6 million.

Interest expense was \$747,000 in the thirteen weeks ended November 1, 2003 versus \$1.3 million in the same period last year and \$2.5 million in the thirty-nine weeks ended November 1, 2003 versus \$3.2 million in the same period last year. The decrease was due to lower average debt balances and lower interest rates compared with last year.

Discontinued operations represent the closure of the Company's only stores in a North Carolina and a Georgia market. The North Carolina store closed during the thirteen weeks ended May 3, 2003, and the Georgia store closed during the thirteen weeks ended August 2, 2003. These stores had sales of \$0 and \$562,000 and pretax operating losses of \$54,000 and \$60,000 for the thirteen-week periods ended November 1, 2003 and November 2, 2002, respectively. For the thirty-nine weeks ended November 1, 2003 and November 2, 2002, these stores had sales of \$1,004,000 and \$1,795,000 and pretax operating losses of \$329,000 and \$143,000, respectively. Included in the loss on discontinued operations are closing costs of \$54,000 and \$136,000 for the thirteen and thirty-nine week periods ended November 1, 2003.

Effective February 3, 2002, the Company adopted Emerging Issues Task Force ("EITF") No. 02-16, Accounting by a Customer (including a reseller) for Certain Consideration Received from a Vendor, which addresses the accounting for vendor allowances. The adoption of this accounting principle resulted in a cumulative after-tax increase to net loss of \$1.2 million, or \$0.08 per diluted share, for the thirty-nine weeks ended November 2, 2002.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of liquidity are cash flows from operations, including credit terms from vendors, and borrowings under its credit facility. The Company has an unsecured revolving credit facility that allows borrowings up to \$100 million, for which no principal repayments are due until the facility expires in July 2005. The credit facility has certain financial and non-financial covenants. The most restrictive financial covenant is the maintenance of a minimum fixed charge coverage ratio. As of November 1, 2003 and February 1, 2003, \$50.9 million and \$37.4 million, respectively, were outstanding under this credit facility. The Company expects that the current portion of long-term debt will be repaid by the end of the current fiscal year with cash flows from the holiday selling season. The maximum and average outstanding balances during the thirteen weeks ended November 1, 2003 were \$65.3 million and \$59.2 million, respectively, compared to \$81.9 million and \$74.7 million, respectively for the same period in the prior year. The maximum and average outstanding balances during the thirty-nine weeks ended November 1, 2003 were \$77.6 million and \$64.1 million, respectively, compared to \$81.9 million and \$66.0 million, respectively for the same period in the prior year. The

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outstanding borrowings as of November 1, 2003 had interest rates ranging from 1.90% to 2.90%. Additionally, as of November 1, 2003 and February 1, 2003, the Company has outstanding borrowings under an industrial revenue bond totaling \$7.5 million, which is secured by certain property.

Financial Position

Inventory balances at November 1, 2003 compared to February 1, 2003 increased due to seasonal fluctuation in inventory. Inventory levels are lowest at February 1, 2003 due to large post holiday returns. Accounts payable at November 1, 2003 compared to February 1, 2003 increased due to timing of inventory purchases and vendor payments.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Future Commitments

The following table lists the aggregate maturities of various classes of obligations and expiration amounts of various classes of commitments related to Books-A-Million, Inc. at November 1, 2003 (in thousands):

PAYMENTS DUE UNDER CONTRACTUAL OBLIGATIONS

	Total -----	FY 2004 -----	FY 2005 -----	FY 2006 -----	FY 2007 -----	FY 2008 -----
Revolving credit facility (1) ..	\$ 50,940	\$ 23,422	\$ -	\$ 27,518	\$ -	\$ -
Long-term debt -industrial revenue bond	7,500	-	-	7,500	-	-
Notes payable	47	47	-	-	-	-
Subtotal of debt	58,487	23,469	-	35,018	-	-
Operating leases	123,118	7,325	27,168	24,440	19,203	15,000
Total of obligations .	\$ 181,605 =====	\$ 30,794 =====	\$ 27,168 =====	\$ 59,458 =====	\$ 19,203 =====	\$ 15,000 =====

(1) While we do not have any principal payments due until June 2005, we anticipate paying down our revolving credit facility by \$23,422 in the fourth quarter with cash flows from the holiday selling season.

Guarantees

From time to time, the Company enters into certain types of agreements that contingently require the Company to indemnify parties against third party claims. Generally these agreements relate to: (a) agreements with vendors and suppliers, under which the Company may provide customary indemnification to its vendors and suppliers in respect of actions they take at the Company's request or otherwise on its behalf, (b) agreements with vendors who publish books or manufacture merchandise specifically for the Company to indemnify the vendors

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against trademark and copyright infringement claims concerning the books published or merchandise manufactured on behalf of the Company and (c) real estate leases, under which the Company may agree to indemnify the lessors from claims arising from the Company's use of the property.

The nature and terms of these types of indemnities vary. The events or circumstances that would require the Company to perform under these indemnities are transaction and circumstance specific. Generally, a maximum obligation is not explicitly stated and therefore the overall maximum amount of the obligations cannot be reasonably estimated. Historically, the Company has not incurred significant costs related to performance under these types of indemnities. No liabilities have been recorded for these obligations on the Company's balance sheet at November 1, 2003.

Cash Flows

Operating activities used cash of \$6.1 million and \$24.2 million in the thirty-nine week periods ended November 1, 2003 and November 2, 2002, respectively, and included the following effects:

- o Cash used for inventories in the thirty-nine week periods ended November 1, 2003 and November 2, 2002 was \$19.2 million and \$37.0 million, respectively. The smaller usage in the current period was primarily due to higher sales versus last year.
- o Cash (used) provided by accounts payable in the thirty-nine week periods ended November 1, 2003 and November 2, 2002 was (\$1.7) million and \$8.5 million, respectively. This change was due to the smaller increase in inventory versus last year.
- o Depreciation and amortization expenses were \$11.9 million and \$12.0 million in the thirty-nine week periods ended November 1, 2003 and November 2, 2002, respectively.

Cash flows used in investing activities reflected a \$7.5 million and \$12.0 million net use of cash for the thirty-nine week periods ended November 1, 2003 and November 2, 2002, respectively. Cash was used primarily to fund capital expenditures for new store openings, renovation and improvements to existing stores, warehouse distribution purposes and investments in management information systems.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financing activities provided cash of \$13.6 million and \$35.6 million in the thirty-nine week periods ended November 1, 2003 and November 2, 2002, respectively, principally from net borrowings under the revolving credit facility.

OUTLOOK

For the thirty-nine weeks ended November 1, 2003, the Company has opened three stores, relocated one store, remodeled 33 stores and closed seven stores. For the remainder of fiscal 2004, the Company expects to open one store, complete remodels on seven stores, and close one to two stores. The Company's capital expenditures totaled \$7.6 million in the thirty-nine week period ended November 1, 2003. These expenditures were primarily used for new store openings, renovation and improvements to existing stores and investment in management information systems. Management estimates that capital expenditures for the remainder of fiscal 2004 will be approximately \$2.0 million and that such amounts will be used primarily for new stores, renovation and improvements to

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existing stores, and investments in management information systems. Management believes that existing cash balances and net cash from operating activities, together with borrowings under the Company's credit facilities, will be adequate to finance the Company's planned capital expenditures and to meet the Company's working capital requirements for the remainder of fiscal 2004 and all of fiscal 2005.

RELATED PARTY ACTIVITIES

Certain stockholders and directors (including certain officers) of the Company have controlling ownership interests in other entities with which the Company conducts business. Significant transactions between the Company and these various other entities ("related parties") are summarized in the following paragraph.

The Company purchases a portion of its inventories for resale from related parties; such net purchases were \$26.8 million in the thirty-nine weeks ended November 1, 2003, and \$25.3 million in the thirty-nine weeks ended November 2, 2002. This difference in net purchases is primarily due to timing of magazine purchases and returns. The Company sells a portion of its inventories to related parties; such sales amounted to \$0.8 million and \$0.0 million in the thirty-nine weeks ended November 1, 2003 and November 2, 2002, respectively. Management believes the terms of these related party transactions are substantially equivalent to those available from unrelated parties and, therefore, have no significant impact on gross profit.

The Company also leases certain office, warehouse and retail store space from related parties. Rental expense under these leases was approximately \$433,000 and \$440,900 in the thirty-nine weeks ended November 1, 2003 and November 2, 2002, respectively. Total minimum future rental payments under these leases aggregate \$314,000 at November 1, 2003.

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QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is subject to interest rate fluctuations involving its credit facilities. The average amount of debt outstanding under the Company's credit facilities was \$65.9 million during fiscal 2003. However, the Company utilizes both fixed and variable debt to manage this exposure. The Company entered into two separate \$10 million swaps on July 24, 2002. Both expire August 2005 and effectively fix the interest rate on \$20 million of variable debt at 5.13%. Also, on May 14, 1996, the Company entered into an interest rate swap agreement, with a ten-year term, which carries a notional principal amount of \$7.5 million. The swap effectively fixes the interest rate on \$7.5 million of variable rate debt at 7.98%. The swap agreement expires on June 7, 2006. The counter parties to the interest rate swaps are parties to the Company's revolving credit facilities. The Company believes the credit and liquidity risk of the counter parties failing to meet their obligations is remote as the Company settles its interest position with the banks on a quarterly basis.

To illustrate the sensitivity of the results of operations to changes in interest rates on its debt, the Company estimates that a 66% increase in LIBOR rates would increase interest expense by approximately \$76,000 for the thirteen weeks ended November 1, 2003. Likewise, a 66% decrease in LIBOR rates would decrease interest expense by \$76,000 for the thirteen weeks ended November 1, 2003. This hypothetical change in LIBOR rates was calculated based on the fluctuation in LIBOR in 2002, which was the maximum LIBOR fluctuation in the last ten years. The estimates do not consider the effect of the potential termination of the interest rate swaps associated with the debt will have on

interest expense.

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CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the fiscal quarter covered by this report. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level. There has been no change in the Company's internal controls over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

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II - OTHER INFORMATION

ITEM 1: Legal Proceedings

The Company is a party to various legal proceedings incidental to its business. In the opinion of management, after consultation with legal counsel, the ultimate liability, if any, with respect to those proceedings is not presently expected to materially affect the financial position, results of operations or cash flows of the Company.

ITEM 2: Changes in Securities

None

ITEM 3: Defaults Upon Senior Securities

None

ITEM 4: Submission of Matters of Vote of Security Holders

None

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ITEM 5: Other Information

None

ITEM 6: Exhibits and Reports on Form 8-K

(A) Exhibits

Exhibit 3i Certificate of Incorporation of Books-A-Million, Inc. (incorporated herein by reference to Exhibit 3.1 in the Company's Registration Statement on Form S-1 (Capital Registration No. 33-52256)

Exhibit 3ii By-Laws of Books-A-Million, Inc. (incorporated herein by reference to Exhibit 3.2 in the Company's Registration Statement on Form S-1 (Capital Registration No. 33-52256))

Exhibit 31.1 Certification of Clyde B. Anderson, Chief Executive Officer of Books-A-Million, Inc., pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, filed under Exhibit 31 of Item 601 of Regulation S-K.

Exhibit 31.2 Certification of Richard S. Wallington, Chief Financial Officer of Books-A-Million, Inc., pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, filed under Exhibit 31 of Item 601 of Regulation S-K.

Exhibit 32.1 Certification of Clyde B. Anderson, Chief Executive Officer of Books-A-Million, Inc., pursuant to 18 U.S.C. Section 1350, filed under Exhibit 32 of Item 601 of Regulation S-K.

Exhibit 32.2 Certification of Richard S. Wallington, Chief Financial Officer of Books-A-Million, Inc., pursuant to 18 U.S.C. Section 1350, filed under Exhibit 32 of Item 601 of Regulation S-K.

(B) Reports on Form 8-K

Current report on 8-K, filed with the Securities and Exchange Commission on November 21, 2003, with respect to third quarter ended November 1, 2003 earnings announcement.

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SIGNATURES

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

BOOKS-A-MILLION, INC.

Date: December 15, 2003

by:/s/ Clyde B. Anderson

Clyde B. Anderson

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Chief Executive Officer

Date: December 15, 2003

by:/s/ Richard S. Wallington

Richard S. Wallington
Chief Financial Officer

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Exhibit 31.1

CERTIFICATIONS

I, Clyde B. Anderson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Books-A-Million, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods presented in this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

- a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 15, 2003

/s/ Clyde B. Anderson

Clyde B. Anderson
Chief Executive Officer

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Exhibit 31.2

CERTIFICATIONS

I, Richard S. Wallington, certify that:

- 1. I have reviewed this quarterly report on Form 10-Q of Books-A-Million, Inc.;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods presented in this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.
- 4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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- b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

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

- a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: December 15, 2003

/s/ Richard S. Wallington

Richard S. Wallington
Chief Financial Officer

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Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Pursuant to 18 U.S.C. ss. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Books-A-Million, Inc. (the "Company") hereby certifies, to the best of such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended November 1, 2003 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 15, 2003

/s/ Clyde B. Anderson

Clyde B. Anderson
Chief Executive Officer

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Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Pursuant to 18 U.S.C. ss. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Books-A-Million, Inc. (the "Company") hereby certifies, to the best of such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended November 1, 2003 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 15, 2003

/s/ Richard S. Wallington

Richard S. Wallington
Chief Financial Officer

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