COCA COLA CO
Form 8-K
July 21, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):

July 21, 2009

(Exact name of registrant as specified in its charter)

Delaware	**001-02217**	**58-0628465**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

One Coca-Cola Plaza **Atlanta, Georgia**	**30313**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: **(404) 676-2121**

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- o **Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)**
- o **Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)**
- o **Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))**
- o **Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))**

Item 2.02. Results of Operations and Financial Condition.

Attached as Exhibit 99.1 is a copy of a press release of The Coca-Cola Company, dated July 21, 2009, reporting The Coca-Cola Company s financial results for the second quarter and half year 2009. Such information, including the Exhibit attached hereto, shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit 99.1 Press Release of The Coca-Cola Company, dated July 21, 2009, reporting The Coca-Cola Company s financial results for the second quarter and half year 2009.

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 hereunto duly authorized.

THE COCA-COLA COMPANY
(REGISTRANT)

Date: July 21, 2009	By:	/s/ Harry L. Anderson Harry L. Anderson Vice President and Controller

EXHIBIT INDEX

Exhibit No.	**Description**
Exhibit 99.1	Press Release of The Coca-Cola Company, dated July 21, 2009, reporting The Coca-Cola Company s financial results for the second quarter and half year 2009.

al merchandise.

Our business is seasonal, which could adversely affect the market price of our common stock.

Our business is subject to seasonal influences, with a major portion of sales and income historically realized during the second half of the fiscal year, which includes the back-to-school and holiday seasons. This seasonality causes our operating results to vary considerably from quarter to quarter and could materially adversely affect the market price of our common stock.

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We may be unable to source merchandise in a timely and cost-effective manner, which could adversely affect our sales and operating results.

Approximately 23% of the merchandise we sell is sourced through a third party purchasing agent. The remaining merchandise is sourced from a wide variety of domestic and international vendors. All of our vendors must comply with applicable laws and our required Terms of Engagement. Our ability to find qualified vendors and access products in a timely and efficient manner is a significant challenge which is typically even more difficult with respect to goods sourced outside the United States. Political or financial instability, trade restrictions, tariffs, currency exchange rates, transport capacity and costs and other factors relating to foreign trade, and the ability to access suitable merchandise on acceptable terms are beyond our control and could adversely impact our performance.

If any of our vendors were to become subject to bankruptcy, receivership or similar proceedings, we may be unable to arrange for alternate or replacement contracts, transactions or business relationships on terms as favorable as current terms, which could adversely affect our sales and operating results.

Increases in the price of merchandise, raw materials, fuel and labor or their reduced availability could increase our cost of goods and negatively impact our financial results.

We are beginning to experience inflation in our merchandise, raw materials, fuel and labor costs. The cost of cotton, which is a key raw material in many of our products, has had the most dramatic increases. The price and availability of cotton may fluctuate substantially, depending on a variety of factors, including demand, acreage devoted to cotton crops and crop yields, weather, supply conditions, transportation costs, energy prices, work stoppages, government regulation and government policy, economic climates, market speculation and other unpredictable factors. Fluctuations in the price and availability of fuel, labor and raw materials, such as cotton, have not materially affected our cost of goods in recent years, but an inability to mitigate these cost increases, unless sufficiently offset with our pricing actions, might cause a decrease in our profitability; while any related pricing actions might cause a decline in our sales volume. Additionally, any decrease in the availability of raw materials could impair our ability to meet our production or purchasing requirements in a timely manner. Both the increased cost and lower availability of merchandise, raw materials, fuel and labor may also have an adverse impact on our cash and working capital needs as well as those of our suppliers.

An inability to attract and retain quality employees could result in higher payroll costs and adversely affect our operating results.

Our performance is dependent on attracting and retaining a large and growing number of quality associates. Many of those associates are in entry level or part-time positions with historically high rates of turnover. Our ability to meet our labor needs while controlling costs is subject to external factors such as unemployment levels, prevailing wage rates, minimum wage legislation and changing demographics. Changes that adversely impact our ability to attract and retain quality associates could adversely affect our performance.

An inability to open new stores could adversely affect our financial performance.

Our plan to continue to increase the number of our stores will depend in part upon the availability of existing retail stores or store sites on acceptable terms. Increases in real estate, construction and development costs could limit our growth opportunities and affect our return on investment. There can be no assurance that such stores or sites will be available for purchase or lease, or that they will be available on acceptable terms. If we are unable to grow our retail business, our financial performance could be adversely affected.

Regulatory and litigation developments could adversely affect our business operations and financial performance.

Various aspects of our operations are subject to federal, state or local laws, rules and regulations, any of which may change from time to time. We continually monitor the state and federal employment law environment

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for developments that may adversely impact us. Failure to detect changes and comply with such laws and regulations may result in an erosion of our reputation, disruption of business and/or loss of employee morale. Additionally, we are regularly involved in various litigation matters that arise in the ordinary course of our business. Litigation or regulatory developments could adversely affect our business operations and financial performance.

Damage to the reputation of the Kohl s brand or our private and exclusive brands could adversely affect our sales.

We believe the Kohl s brand name and many of our private and exclusive brand names are powerful sales and marketing tools and we devote significant resources to promoting and protecting them. We develop and promote private and exclusive brands that have generated national recognition. In some cases, the brands or the marketing of such brands are tied to or affiliated with well-known individuals. Damage to the reputations (whether or not justified) of our brand names or any affiliated individuals, could arise from product failures, litigation or various forms of adverse publicity, especially in social media outlets, and may generate negative customer sentiment, potentially resulting in a reduction in sales, earnings, and shareholder value.

Disruptions in our information systems could adversely affect our sales and profitability.

The efficient operation of our business is dependent on our information systems. In particular, we rely on our information systems to effectively manage sales, distribution, merchandise planning and allocation functions. We also generate sales though the operations of our Kohls.com website. The failure of our information systems to perform as designed could disrupt our business and harm sales and profitability.

Unauthorized disclosure of sensitive or confidential customer information could severely damage our reputation, expose us to risks of litigation and liability, disrupt our operations and harm our business.

As part of our normal course of business, we collect, process and retain sensitive and confidential customer information. Despite the security measures we have in place, our facilities and systems, and those of our third party service providers, may be vulnerable to security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors, or other similar events. Any security breach involving the misappropriation, loss or other unauthorized disclosure of confidential information, whether by us or our vendors, could severely damage our reputation, expose us to risks of litigation and liability, disrupt our operations and harm our business.

New legal requirements could adversely affect our operating results.

Our sales and results of operations may be adversely affected by new legal requirements, including health care reform and proposed climate change and other environmental legislation and regulations.

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 were signed into law in the U.S. This legislation expands health care coverage to many uninsured individuals and expands coverage to those already insured. The changes required by this legislation could cause us to incur additional health care and other costs, but we do not expect any material short-term impact on our financial results as a result of the legislation and are currently assessing the extent of any long-term impact.

The Credit Card Accountability Responsibility and Disclosure Act of 2009 (the CARD Act) mandated fundamental changes in 2010 to many of our current business credit card practices, including marketing, underwriting, pricing and billing (specifically restrictions on late and other penalty fees). While we have made numerous changes designed to lessen the impact of the changes required by the CARD Act, there is no assurance that we will be successful. If we are not able to lessen the impact of the changes required by the CARD Act, the

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changes could adversely impact the profitability of our credit operations and make it more difficult to extend credit to our customers and collect payments which would have a material adverse effect on our results of operations.

The costs and other effects of other new legal requirements cannot be determined with certainty. For example, new legislation or regulations may result in increased costs directly for our compliance or indirectly to the extent such requirements increase prices of goods and services because of increased compliance costs or reduced availability of raw materials.

Item 1B. Unresolved Staff Comments
Not applicable

Item 2. Properties
Stores

As of January 29, 2011, we operated 1,089 stores in 49 states. Our typical, or prototype, store has 88,000 gross square feet of retail space and serves trade areas of 150,000 to 200,000 people. Most small stores are 64,000 to 68,000 square feet and serve trade areas of 100,000 to 150,000 people. Our urban stores, currently located in the New York and Chicago markets, serve very densely populated areas of up to 500,000 people and average approximately 125,000 gross square feet of retail space.

Our typical lease has an initial term of 20-25 years and four to eight renewal options for consecutive five-year extension terms. Substantially all of our leases provide for a minimum annual rent that is fixed or adjusts to set levels during the lease term, including renewals. Approximately one-fourth of the leases provide for additional rent based on a percentage of sales over designated levels.

The following tables summarize key information about our stores.

	Number of Stores			Retail Square Footage 2010 (In thousands)
	2009	Additions	2010	
Mid-Atlantic Region:				
Delaware	5		**5**	**399**
Maryland	17	4	**21**	**1,547**
Pennsylvania	43	3	**46**	**3,336**
Virginia	26	1	**27**	**1,972**
West Virginia	7		**7**	**500**
Total Mid-Atlantic	98	8	**106**	**7,754**
Midwest Region:				
Illinois	61	1	**62**	**4,733**
Indiana	37		**37**	**2,704**
Iowa	14		**14**	**950**
Michigan	45		**45**	**3,347**
Minnesota	25	1	**26**	**1,976**
Nebraska	7		**7**	**479**
North Dakota	3		**3**	**217**
Ohio	56	1	**57**	**4,239**
South Dakota	2		**2**	**169**
Wisconsin	39		**39**	**2,841**

Total Midwest	289	3	**292**	**21,655**

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	Number of Stores			Retail Square Footage 2010 (In thousands)
	2009	**Additions**	**2010**	
Northeast Region:				
Connecticut	18		**18**	**1,339**
Maine	5		**5**	**388**
Massachusetts	21		**21**	**1,682**
New Hampshire	9		**9**	**640**
New Jersey	38		**38**	**2,901**
New York	45	3	**48**	**3,697**
Rhode Island	3		**3**	**227**
Vermont	1		**1**	**77**
Total Northeast	140	3	**143**	**10,951**
South Central Region:				
Arkansas	8		**8**	**572**
Kansas	10	1	**11**	**765**
Louisiana	5	1	**6**	**421**
Missouri	23	1	**24**	**1,770**
Oklahoma	9		**9**	**668**
Texas	80		**80**	**5,889**
Total South Central	135	3	**138**	**10,085**
Southeast Region:				
Alabama	10	2	**12**	**830**
Florida	48	1	**49**	**3,635**
Georgia	33		**33**	**2,443**
Kentucky	15	1	**16**	**1,127**
Mississippi	4	1	**5**	**378**
North Carolina	27		**27**	**1,978**
South Carolina	12		**12**	**880**
Tennessee	19		**19**	**1,345**
Total Southeast	168	5	**173**	**12,616**
West Region:				
Alaska	1		**1**	**73**
Arizona	26		**26**	**1,953**
California	121	5	**126**	**9,108**
Colorado	23	1	**24**	**1,835**
Idaho	4		**4**	**269**
Montana	1		**1**	**72**
Nevada	11	1	**12**	**851**
New Mexico	4	1	**5**	**326**
Oregon	9	1	**10**	**649**
Utah	12		**12**	**874**
Washington	15		**15**	**1,016**
Wyoming	1		**1**	**52**
Total West	228	9	**237**	**17,078**
Total Kohl s	1,058	31	**1,089**	**80,139**

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	Number of Stores by Greater Metropolitan Area		
	2009	Additions	2010
New York City	63	2	**65**
Los Angeles	53	1	**54**
Chicago	50		**50**
Philadelphia	33		**33**
Atlanta	27		**27**
Dallas/Fort Worth	25		**25**
Boston	24		**24**
Detroit	24		**24**
San Francisco	24		**24**
Washington DC	23	1	**24**
Minneapolis/St. Paul	22	1	**23**
Milwaukee	22		**22**
Phoenix	22		**22**
Cleveland/Akron	18	1	**19**
Houston	19		**19**
Denver	18		**18**
Sacramento	17	1	**18**
Indianapolis	17		**17**
Columbus	15		**15**
Orlando	15		**15**
St. Louis	14	1	**15**
Hartford/New Haven	13		**13**
Cincinnati	12		**12**
Kansas City	10	2	**12**
Salt Lake City	12		**12**
Baltimore	8	3	**11**
Miami	11		**11**
Pittsburgh	10	1	**11**
Charlotte	10		**10**
Raleigh/Durham	10		**10**
San Diego	10		**10**
Seattle/Tacoma	10		**10**
Other	397	17	**414**
	1,058	31	**1,089**

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	2009	Number of Stores by Store Type Additions	2010
Prototype	962	16	**978**
Small	92	14	**106**
Urban	4	1	**5**
	1,058	31	**1,089**

	2009	Number of Stores by Ownership Additions	2010
Owned	372	10	**382**
Leased*	686	21	**707**
	1,058	31	**1,089**

* Leased includes locations where we lease the land and/or building

	2009	Number of Stores by Location Additions	2010
Strip centers	746	5	**751**
Community & regional malls	73	5	**78**
Free standing	239	21	**260**
	1,058	31	**1,089**

	2009	Number of Stores by Building Type Additions	2010
One-story	971	29	**1,000**
Multi-story	87	2	**89**
	1,058	31	**1,089**

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Distribution Centers

The following table summarizes key information about each of our distribution centers.

Location	Year Opened	Square Footage	States Serviced	Approximate Store Capacity
Retail:				
Findlay, Ohio	1994	780,000	Ohio, Michigan, Indiana	130
Winchester, Virginia	1997	420,000	Pennsylvania, Virginia, Maryland, Delaware, West Virginia	115
Blue Springs, Missouri	1999	540,000	Minnesota, Colorado, Missouri, Iowa, Kansas, Montana, Nebraska, North Dakota, South Dakota, Wyoming	110
Corsicana, Texas	2001	540,000	Texas, Oklahoma, Arkansas, Mississippi, Louisiana	115
Mamakating, New York	2002	605,000	New York, New Jersey, Massachusetts, Connecticut, New Hampshire, Rhode Island, Maine, Vermont	140
San Bernardino, California	2002	575,000	California, Arizona, Nevada, Utah, New Mexico	110
Macon, Georgia	2005	560,000	Alabama, Tennessee, Georgia, South Carolina, Florida, Kentucky, North Carolina	150
Patterson, California	2006	360,000	Alaska, California, Oregon, Washington, Idaho	100
Ottawa, Illinois	2008	328,000	Indiana, Illinois, Michigan, Wisconsin	160
E-Commerce:				
Monroe, Ohio	2001	940,000		
San Bernardino, California	2010	970,000		

We own all of the distribution centers except Corsicana, Texas, which is leased.

Corporate Facilities

We own our corporate headquarters and several small office buildings used by various corporate departments, including our credit operations, in Menomonee Falls, Wisconsin. Our product development business has leased office space in New York City. We also lease a credit card servicing facility in Texas.

Item 3. Legal Proceedings

We are not currently a party to any material legal proceedings, but are subject to certain legal proceedings and claims from time to time that are incidental to our ordinary course of business.

Item 4. Reserved

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PART II

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

(a) Market information

Our Common Stock has been traded on the New York Stock Exchange since May 19, 1992, under the symbol KSS. The prices in the table set forth below indicate the high and low sales prices of our Common Stock per the New York Stock Exchange Composite Price History for each quarter in 2010 and 2009.

	Price Range	
	High	**Low**
Fiscal 2010		
Fourth Quarter	$ 58.00	$ 49.00
Third Quarter	$ 54.22	$ 44.07
Second Quarter	$ 57.35	$ 45.29
First Quarter	$ 58.99	$ 48.40
Fiscal 2009		
Fourth Quarter	$ 58.07	$ 49.87
Third Quarter	$ 60.89	$ 48.43
Second Quarter	$ 50.39	$ 40.64
First Quarter	$ 46.50	$ 32.50

We have filed with the Securities and Exchange Commission (SEC), as Exhibits 31.1 and 31.2 to this Annual Report on Form 10-K, the Sarbanes-Oxley Act Section 302 certifications. In 2010, Kevin Mansell, our Chief Executive Officer, submitted a certification with the New York Stock Exchange (NYSE) in accordance with Section 303A.12 of the NYSE Listed Company Manual stating that, as of the date of the certification, he was not aware of any violation by us of the NYSE s corporate governance listing standards.

(b) Holders

At March 9, 2011, there were approximately 4,700 record holders of our Common Stock.

(c) Dividends

On February 23, 2011, our Board of Directors declared our first dividend. The $0.25 per share quarterly cash dividend will be paid on March 30, 2011 to shareholders of record as of March 9, 2011.

(d) Securities Authorized For Issuance Under Equity Compensation Plans

See the information provided in the Equity Compensation Plan Information section of the Proxy Statement for our May 12, 2011 Annual Meeting of Shareholders, which information is incorporated herein by reference.

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(e) Performance Graph

The graph below compares our cumulative five-year stockholder return to that of the Standard & Poor s 500 Index and the S&P 500 Department Stores Index. The S&P 500 Department Stores Index was calculated by Capital IQ, a Standard & Poor s business and includes Kohl s; JCPenney Company, Inc.; Dillard s, Inc.; Macy s, Inc.; Nordstrom Inc.; and Sears Holding Corporation. The graph assumes investment of $100 on January 28, 2006 and reinvestment of dividends. The calculations exclude trading commissions and taxes.

	2005	2006	2007	2008	2009	2010
Kohl's Corporation	$ 100.00	$ 165.50	$ 103.91	$ 83.05	$ 113.96	$ 115.84
S&P 500 Index	100.00	114.99	112.92	68.47	91.16	110.53
S&P 500 Department Stores Index	100.00	143.82	91.83	43.38	72.51	83.17

(f) Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

We did not sell any equity securities during 2010 which were not registered under the Securities Act.

(g) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On November 17, 2010, we entered into an accelerated share repurchase transaction with Morgan Stanley & Co. Incorporated (Morgan Stanley) to repurchase $1.0 billion of Kohl s common stock on an accelerated basis. This accelerated share repurchase was part of the $2.5 billion share repurchase program authorized by our Board of Directors in September 2007. On November 18, 2010, we paid $1.0 billion to Morgan Stanley from cash on hand. We received 17.9 million shares of Kohl s common stock during the fiscal year ended January 29, 2011. The final 900,000 shares due under the transaction were received in March 2011.

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In February 2011, our Board of Directors increased the remaining share repurchase authorization under our existing share repurchase program by $2.6 billion, from $900 million to $3.5 billion. Purchases under the repurchase program may be made in the open market, through block trades and other negotiated transactions. We expect to execute the share repurchase program primarily in open market transactions, subject to market conditions and to complete the program by the end of Fiscal 2013. There is no fixed termination date for the repurchase program, and the program may be suspended, discontinued or accelerated at any time.

The following table contains information for shares repurchased and shares acquired from employees in lieu of amounts required to satisfy minimum tax withholding requirements upon the vesting of the employees restricted stock during the three fiscal months ended January 29, 2011:

Period	Total Number of Shares Purchased During Period	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (In millions)
Oct. 31 Nov. 27, 2010	12,564,961	$ 53.10	12,563,942	$ 866
Nov. 28, 2010 Jan. 1, 2011	3,849,395	53.10	3,849,088	866
Jan. 2 Jan. 29, 2011	1,513,978	53.10	1,513,978	866
Total	17,928,334	$ 53.10	17,927,008	$ 3,500(1)

(1) Includes additional repurchases authorized in February 2011

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Item 6. Selected Consolidated Financial Data

The selected consolidated financial data presented below should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this document. The Statement of Income and Balance Sheet Data have been derived from our audited consolidated financial statements.

	2010	2009	2008	2007	2006
		(Dollars in Millions, Except Per Share and Per Square Foot Data)			
Statement of Income Data:					
Net sales	**$ 18,391**	$ 17,178	$ 16,389	$ 16,474	$ 15,597
Cost of merchandise sold	**11,359**	10,680	10,334	10,460	9,922
Gross margin	**7,032**	6,498	6,055	6,014	5,675
Selling, general and administrative expenses	**4,462**	4,196	3,978	3,758	3,472
Depreciation and amortization	**656**	590	541	452	388
Operating income	**1,914**	1,712	1,536	1,804	1,815
Interest expense, net	**132**	124	111	62	41
Income before income taxes	**1,782**	1,588	1,425	1,742	1,774
Provision for income taxes	**668**	597	540	658	665
Net income	**$ 1,114**	$ 991	$ 885	$ 1,084	$ 1,109
Net income per share:					
Basic	**$ 3.67**	$ 3.25	$ 2.89	$ 3.41	$ 3.34
Diluted	**$ 3.65**	$ 3.23	$ 2.89	$ 3.39	$ 3.31
Operating Data:					
Comparable store sales growth (a)	**4.4%**	0.4%	(6.9%)	(0.8%)	5.9%
Net sales per selling square foot (b)	**$ 222**	$ 217	$ 222	$ 249	$ 256
Total square feet of selling space (end of period, in thousands)	**80,139**	78,396	74,992	69,889	62,357
Number of stores open (end of period)	**1,089**	1,058	1,004	929	817
Return on average shareholders' equity (c)	**13.6%**	13.8%	14.0%	18.5%	19.5%
Balance Sheet Data (end of period):					
Working capital	**$ 2,935**	$ 3,095	$ 1,884	$ 1,952	$ 1,481
Property and equipment, net	**7,256**	7,018	6,984	6,510	5,353
Total assets	**13,564**	13,160	11,363	10,575	9,046
Long-term debt and capital leases	**1,678**	2,052	2,053	2,052	1,040
Shareholders equity	**8,102**	7,853	6,739	6,102	5,603

(a) Comparable store sales growth is based on sales for stores (including E-Commerce sales and relocated or remodeled stores) which were open throughout both the full current and prior year periods. Fiscal 2006 was a 53-week year. Comparable store sales growth for 2006 is presented for the 52-weeks ended January 27, 2007 and excludes approximately $200 million in sales which were earned in the 53rd week of that year.

(b) Net sales per selling square foot is based on stores open for the full current period, excluding E-Commerce. Fiscal 2006 excludes the impact of the 53rd week.

(c) Average shareholders equity is based on a 5-quarter average.

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

Total net sales for 2010 were $18.4 billion, a 7.1% increase over 2009. Comparable store sales increased 4.4% over 2009. The Southeast region and the Footwear business reported the strongest comparable store sales growth.

Gross margin as a percent of net sales for the year increased approximately 40 basis points over the 2009 rate to 38.2%. Strong inventory management as well as increased penetration of private and exclusive brands contributed to the margin strength.

Selling, general and administrative expenses (SG&A) increased 6% compared to the prior year. SG&A as a percentage of net sales, decreased, or leveraged primarily driven by store payroll, advertising, and preopening costs.

Net income increased 12% for 2010 to $1.1 billion, or $3.65 per diluted share, compared to $991 million, or $3.23 per diluted share for 2009.

We ended the year with 1,089 stores in 49 states, including 31 which were successfully opened in 2010. We expect to open approximately 40 stores in fiscal 2011. Remodels remain a critical part of our long-term strategy as we believe it is important to maintain our existing store base. We completed 85 remodels in 2010, compared to 51 in 2009, and expect to remodel approximately 100 stores in 2011.

In February 2011, our Board of Directors approved our first ever dividend. The 25 cent per share quarterly dividend will be paid on March 30, 2011 to all shareholders of record as of March 9, 2011. The dividend reflects the Board s confidence in our long-term cash flow. We expect to use a portion of future free cash flow to continue to pay quarterly dividends. Our Board of Directors also increased the remaining share repurchase authorization under our existing share repurchase program by $2.6 billion, from $900 million to $3.5 billion. We expect to execute the share repurchase program primarily in open market transactions, subject to market conditions and to complete the program by the end of Fiscal 2013.

On November 17, 2010, we entered into an accelerated share repurchase transaction with Morgan Stanley & Co. Incorporated (Morgan Stanley) to repurchase $1.0 billion of Kohl s common stock on an accelerated basis. This accelerated share repurchase was part of the $2.5 billion share repurchase program authorized by our Board of Directors in September 2007. On November 18, 2010, we paid $1.0 billion to Morgan Stanley from cash on hand. We received a total of 18.8 million shares under the program: 12.6 million shares on November 18, 2010, 3.8 million shares on December 7, 2010, 1.5 million on January 11, 2011, and a final delivery of 0.9 million shares on March 3, 2011.

We installed electronic signs in approximately 100 stores in 2010. We expect to have installed the signs in all stores by Holiday 2012. In-store kiosks were effectively rolled-out to all stores in August 2010. The kiosks allow customers to order items which are not available in the store and have them delivered to their home with no shipping costs. Preliminary results from the kiosks have exceeded our plans and we expect to add an additional kiosk in approximately 100 stores in 2011.

We believe that consumers will remain focused on value in 2011. We intend to continue to be flexible in our sales and inventory planning and in our expense management in order to react to changes in consumer demand. Additionally, merchandise costs in all apparel categories are expected to be up approximately 10% to 15% overall for Fall 2011 due to inflation in the cost of raw materials, labor and fuel. Specific increases are dependent on the category and the related fabric content. We have been preparing for these cost increases for some time and are working diligently to minimize the impact of these higher costs on a consumer that is still buying cautiously and, therefore, less open to paying higher prices for discretionary goods.

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Our current expectations for the first quarter and fiscal 2011 compared to the comparable prior year periods are as follows:

		First Quarter	Fiscal 2011
Total sales	Increase	4% - 6%	4% - 6%
Comparable store sales	Increase	2% - 4%	2% - 4%
Gross margin as a percent of sales	Increase	10 - 30 bp	0 - 20 bp
SG&A	Increase	5% - 6.5%	3% - 4.5%
Earnings per diluted share		$0.68 - $0.73	$4.05 - $4.25

This guidance does not reflect any additional share repurchases in fiscal 2011.

Results of Operations

Our fiscal year ends on the Saturday closest to January 31. Unless otherwise noted, references to years in this report relate to fiscal years, rather than to calendar years. Fiscal year 2010 (2010) ended on January 29, 2011, fiscal year 2009 (2009) ended on January 30, 2010, and fiscal year 2008 (2008) ended on January 31, 2009. All three years were 52-week years.

Net sales.

	2010	2009	2008
Net sales (in millions)	**$ 18,391**	$ 17,178	$ 16,389
Number of stores:			
Opened during the year	**31**	56	75
Open at end of year	**1,089**	1,058	1,004
Comparable stores (a)	**1,003**	929	817
Sales growth:			
Total	**7.1%**	4.8%	(0.5%)
Comparable stores (a)	**4.4%**	0.4%	(6.9%)
Net sales per selling square foot (b)	**$ 222**	$ 217	$ 222

(a) Comparable store sales growth is based on sales for stores (including E-Commerce sales and relocated or remodeled stores) which were open throughout both the full current and prior year periods

(b) Net sales per selling square foot is based on stores open for the full current period, excluding E-Commerce.

The changes in net sales were due to the following:

	2010		2009 (Dollars in millions)		2008	
Comparable store sales:	**$**	**%**	$	%	$	%
Stores	**$ 500**	**3.1%**	$ (62)	(0.4)%	$ (1,209)	(7.8)%
E-commerce	**244**	**51.7**	132	38.7	116	51.8
Total	**744**	**4.4**	70	0.4	(1,093)	(6.9)
Sales from new stores	**469**		719		1,008	
Total net sales increase (decrease)	**$ 1,213**	**7.1%**	$ 789	4.8%	$ (85)	(0.5)%

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Drivers of the changes in comparable store sales were as follows:

	2010	2009	2008
Selling price per unit	**(1.5)%**	2.3%	1.9%
Units per transaction	**(1.5)**	(4.3)	(2.9)
Average transaction value	**(3.0)**	(2.0)	(1.0)
Number of transactions	**7.4**	2.4	(5.9)
Comparable store sales	**4.4%**	0.4%	(6.9)%

The Southeast region reported the strongest 2010 sales growth with comparable store sales increases in the mid-single digits. In 2010, the Southeast region benefited from implementing merchandising and marketing tactics similar to those that were implemented in the West region in 2009. All other regions reported comparable store sales increases of two to three percent for the year.

By line of business, Footwear, Men s and Home outperformed our total company comparable store sales growth for the year. Footwear was led by strength in women s and juniors shoes. Men s was led by active and basics. Home was strong in electronics and small electrics. Women s was similar to the company average and was led by Sonoma, juniors, active and updated sportswear. Accessories and Children s were below the company average. Accessories was strongest in watches, fashion jewelry and sterling silver jewelry. The Children s business had strength in toys.

E-Commerce sales, which exclude shipping and other revenues, increased 51.7% to $717 million for 2010. The number of E-Commerce transactions increased almost 60% due to increased customer traffic, increased style and size selections offered on-line compared with our in-store selection and the expansion of product categories not available in our stores.

Net sales per selling square foot increased $5 to $222 in 2010. The increase is primarily due to higher comparable store sales.

Net sales for 2009 increased 4.8% over 2008 and comparable store sales increased 0.4%. From a line of business perspective, Accessories reported the strongest comparable store sales in 2009 with strength in sterling silver jewelry, fashion jewelry and handbags. Footwear and Home outperformed the comparable store sales for the year, while Women s and Children s trailed the company. Men s was similar to the company average. The West region, which was favorably impacted by the closure of Mervyn s department stores, reported the strongest comparable store sales for 2009. E-Commerce sales increased approximately 40% to $473 million for 2009.

Our merchandise mix over the last three years is reflected in the table below:

Women s	**32%**
Men s	**19**
Home	**18**
Children s	**12-13**
Accessories	**10**
Footwear	**8-9**

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Gross margin.

	2010	2009	2008
		(Dollars in millions)	
Gross margin	**$ 7,032**	$ 6,498	$ 6,055
As a percent of net sales	**38.2%**	37.8%	36.9%

Gross margin includes the total cost of products sold, including product development costs, net of vendor payments other than reimbursement of specific, incremental and identifiable costs; inventory shrink; markdowns; freight expenses associated with moving merchandise from our vendors to our distribution centers; shipping and handling expenses of E-Commerce sales; and terms cash discount. Our gross margin may not be comparable with that of other retailers because we include distribution center costs in selling, general and administrative expenses while other retailers may include these expenses in cost of merchandise sold.

Gross margin increased $534 million, or 8.2%, in 2010 compared to 2009. Gross margin as a percentage of sales increased 41 basis points to 38.2 % for 2010. Strong inventory management and increased penetration of private and exclusive brands contributed to the margin strength. Average inventory per store at year-end 2010 is approximately one percent higher than 2009. Clearance inventory units per store are approximately 12% lower this year than in 2009. Sales of private and exclusive brands reached 48% of net sales for 2010, an increase of approximately 290 basis points over 2009. Approximately 80 percent of our merchandise receipts are now subject to our size-optimization programs which has also had a positive impact on our gross margin rate.

Merchandise costs across all apparel categories are expected to be up approximately 10 to 15% overall for Fall 2011 due to inflation in the cost of raw materials, labor and fuel. Specific increases are dependent on the category and the related fabric content. We have been preparing for these cost increases for some time and are working diligently to minimize the impact of these higher costs on a consumer that is still buying cautiously and, therefore, less open to paying higher prices for discretionary goods.

Gross margin for 2009 increased $443 million, or 7.3%, over 2008. The improvement in gross margin as a percent of net sales for 2009 compared to 2008 was driven by strong merchandise and inventory management and increased penetration of private and exclusive brands. Sales of private and exclusive brands reached 44% of net sales in 2009, an increase of 220 basis points over 2008.

Selling, general and administrative expenses.

	2010	2009	2008
		(Dollars in millions)	
Selling, general, and administrative expenses	**$ 4,462**	$ 4,196	$ 3,978
As a percent of net sales	**24.2%**	24.4%	24.3%

Selling, general and administrative expenses (SG&A) include compensation and benefit costs (including stores, headquarters, buying and merchandising and distribution centers); occupancy and operating costs of our retail, distribution and corporate facilities; freight expenses associated with moving merchandise from our distribution centers to our retail stores and among distribution and retail facilities; advertising expenses, offset by vendor payments for reimbursement of specific, incremental and identifiable costs; net revenues from our Kohl s credit card operations; and other administrative costs. SG&A also includes the costs incurred prior to new store openings, such as advertising, hiring and training costs for new employees, processing and transporting initial merchandise, and rent expense. We do not include depreciation and amortization in SG&A. The classification of these expenses varies across the retail industry.

SG&A for 2010 increased $266 million, or 6.3%, over 2009, but decreased as a percentage of net sales, or leveraged. SG&A increased primarily due to store growth, higher sales, and investments in technology and infrastructure related to our E-Commerce business.

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Hourly store payroll costs leveraged in 2010 and continue to be driven by sustainable productivity improvements, such as the rollout of electronic signs. Advertising leveraged in 2010 as we intentionally grew this expense less than sales. We continue to modify our media mix to utilize the most cost effective methods. In 2010, we increased direct mail and digital marketing efforts and decreased print media. Preopening expenses leveraged in 2010 as we opened fewer stores. Additionally, a significant number of the stores which opened in 2009 were leased stores which had higher rent expenses during the preopening period. Information services expenses increased as a percentage of net sales, or deleveraged, in 2010, primarily due to planned incremental investments in technology and infrastructure related to our E-Commerce business. Distribution costs, which are included in SG&A, totaled $187 million for 2010, $168 million for 2009 and $166 million for 2008.

Net revenues from the credit card program also deleveraged in 2010 due to reductions in late fee revenue as a result of legislative changes. In connection with the April 2006 sale of our proprietary credit card accounts to JPMorgan Chase & Co. (JPMorgan Chase), we entered into a service and revenue-sharing agreement. Pursuant to this agreement, JPMorgan Chase issues Kohl s branded private label credit cards to new and existing Kohl s customers. Since we do not own the receivables, the receivables and the related allowance for bad debt reserve are not reported on our balance sheets. Risk-management decisions are jointly managed by JPMorgan Chase and us. We handle all customer service functions and are responsible for all advertising and marketing related to credit card customers and the majority of the associated expenses. Net revenues of the program are shared with JPMorgan Chase according to a fixed percentage and are settled monthly. Net revenues include finance charge and late fee revenues, less write-offs of uncollectible accounts and other expenses.

In August 2010, we entered into a Private Label Credit Card Program Agreement with Capital One, National Association (Capital One), which will be effective upon transition of the outstanding receivables from JPMorgan Chase to Capital One. We currently expect this transition to happen in the first fiscal quarter of 2011. Kohl s and Capital One will share in the net risk-adjusted revenue of the portfolio as defined by the sum of finance charges, late fees and other revenue less write-offs of uncollectible accounts. Changes in funding costs related to interest rate fluctuations will be shared similar to the revenue. Though management currently believes that increases in funding costs will be largely offset by increases in finance charge revenue, increases in funding costs could adversely impact the profitability of this program.

SG&A for 2009 increased $218 million, or 5.5%, over 2008. SG&A increased primarily due to store growth and increased incentive compensation and changes made to our non-management compensation structure.

Depreciation and amortization.

	2010	2009	2008
		(In millions)	
Depreciation and amortization	**$ 656**	$ 590	$ 541

The increases in depreciation and amortization are primarily due to the addition of new stores and remodels.

Operating income.

	2010	2009	2008
		(Dollars in millions)	
Operating income	**$ 1,914**	$ 1,712	$ 1,536
As a percent of net sales	**10.4%**	10.0%	9.4%

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The changes in operating income and operating income as a percent of net sales are due to the factors discussed above.

Interest expense.

	2010	2009	2008
		(In millions)	
Interest expense, net	**$ 132**	$ 124	$ 111

Net interest expense for 2010 increased $8 million, or 6%, over 2009. The increase is attributable to higher interest on our capital leases in 2010.

Net interest expense for 2009 increased $13 million, or 12%, over 2008. The increase is attributable to lower interest income due to lower interest rates on our investments, partially offset by higher average investments. A reduction in capitalized interest due to lower capital expenditures in 2009 also contributed to the increase in interest expense.

Income taxes.

	2010	2009	2008
		(Dollars in millions)	
Provision for income taxes	**$ 668**	$ 597	$ 540
Effective tax rate	**37.5%**	37.6%	37.9%

The effective tax rate for 2010 was comparable to the 2009 and 2008 tax rates.

Inflation

Although we expect that our operations will be influenced by general economic conditions, including rising food, fuel and energy prices, we do not believe that inflation has had a material effect on our results of operations. However, there can be no assurance that our business will not be affected by such factors in the future.

We are beginning to experience inflation in our merchandise, raw material, labor and fuel costs. Such cost increases were not significant in 2010, but we do expect to see low to mid single-digit cost increases in the first six months of 2011 and low double-digit increases in the last six months of 2011. In our private and exclusive brands, where we have more control over the production and manufacture of the merchandise, we have historically been able to minimize inflationary pressures through measures such as committing earlier for fabric and certain other raw materials and shifting production to lower cost markets. Our third-party brand vendors are also facing the same inflationary pressures. We will continue to work with these vendors in our efforts to minimize the impact of inflation on our merchandise costs and our selling prices.

Liquidity and Capital Resources

Our primary ongoing cash requirements are for capital expenditures in connection with our expansion and remodeling programs and seasonal and new store inventory purchases. Our primary sources of funds are cash flow provided by operations, short-term trade credit and our lines of credit. Short-term trade credit, in the form of extended payment terms for inventory purchases, often represents a significant source of financing for merchandise inventories. Seasonal cash needs may be met by cash on hand and/or the line of credit available under our revolving credit facility. Our working capital and inventory levels typically build throughout the fall, peaking during the November and December holiday selling season.

We anticipate that we will be able to satisfy our working capital requirements, planned capital expenditures, dividend payments and debt service requirements with available cash and cash equivalents, proceeds from cash flows from operations, short-term trade credit, seasonal borrowings under our revolving credit facility and other

sources of financing. We expect to generate adequate cash flow from operating activities to sustain current levels of operations.

As of January 29, 2011, we had cash and cash equivalents of $2.3 billion. We generated $915 million of free cash flow in 2010 and expect to generate $1 billion in 2011. (See the Free Cash Flow discussion later in this Liquidity and Capital Resources section for additional discussion of free cash flow, a non-GAAP financial measure.)

	2010	2009	2008
		(In millions)	
Net cash provided by (used in):			
Operating activities	**$ 1,676**	$ 2,234	$ 1,698
Investing activities	**(717)**	(640)	(963)
Financing activities	**(949)**	30	(273)

Operating activities.

Cash provided by operations decreased 25% in 2010 to $1.7 billion.

At January 29, 2011, total merchandise inventories increased $113 million, or 4%, from year-end 2009. On a dollars per store basis, merchandise inventories at January 29, 2011 increased 0.9% from year-end 2009. Clearance inventory units per store are down approximately 12%. These changes reflect our various inventory management initiatives, including our conservative sales and receipt planning and lower clearance levels.

Accounts payable at January 29, 2011 decreased $50 million from year-end 2009, compared to increasing $306 million from year-end 2008 to 2009. The change is primarily due to vendor finance initiatives which are now fully implemented. In prior years, we rolled out a receivable financing program whereby a financial institution provides our vendors with financing, at a rate which is below what the vendors could normally obtain on their own. We offer this program to vendors in exchange for extended payment terms. We do not incur any costs or expenses or forfeit any portion of our receivables in connection with this program. Timing of inventory purchases also contributed to the change.

Accounts payable as a percent of inventory was 37.5% at January 29, 2011, compared to 40.6% at year-end 2009. It has been more than a year since we implemented our vendor finance initiatives, so we no longer expect to see the significant improvement in this metric that we have seen in the past. Lower inventory turn also contributed to the decrease.

Cash provided by operations increased 32% over 2008 to $2.2 billion in 2009, primarily due to a $258 million increase in cash flows from accounts payable activities. Accounts payable at January 30, 2010 increased $306 million from year-end 2008. Accounts payable as a percent of inventory was 40.6% at January 30, 2010, compared to 31.5% at year-end 2008, primarily due to strong inventory management, our cycle time reduction initiatives and improved vendor financing management. Short-term trade credit, in the form of extended payment terms for inventory purchases, represents a significant source of financing for merchandise inventories. Compared to year-end 2008, total merchandise inventories at January 30, 2010 increased 4% and inventory per store decreased 0.9%. Clearance inventory units per store were down approximately 14%. These reductions were the result of inventory management initiatives, including our conservative sales and receipt planning and lower clearance levels.

Investing activities.

Net cash used in investing activities increased $77 million to $717 million in 2010, primarily due to an increase in capital expenditures.

Capital expenditures totaled $761 million for 2010, a $95 million increase over 2009. This increase is primarily due to higher capital spending as a result of increased remodels, the opening of our second E-Commerce fulfillment center and planned incremental IT investments to support our E-Commerce business. These increases were partially offset by reductions in capital spending for new stores.

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Capital expenditures, including favorable lease rights, by major category were as follows:

	2011 Estimate	2010	2009	2008
New stores	**29%**	**25%**	54%	68
Remodels/relocations	**25**	**32**	16	12
Distribution centers	**13**	**11**		4
Capitalized software	**15**	**13**	9	5
Fixtures and store improvements	**12**	**12**	9	4
Other	**6**	**7**	12	7
Total	**100%**	**100%**	100%	100

We expect total capital expenditures of approximately $1 billion in fiscal 2011 due primarily to an increase in new store openings (40 expected in 2011 compared to 31 in 2010). An increase in store remodels (approximately 100 expected in 2011 compared to 85 in 2010), construction of a third fulfillment center to support our E-Commerce business and the roll out of electronic signs to additional stores will also contribute to the increase. The actual amount of our future capital expenditures will depend primarily on the number of new stores opened, the mix of owned, leased or acquired stores, the number of stores remodeled and the timing of distribution center openings. We do not anticipate that our expansion plans will be limited by any restrictive covenants in our financing agreements. We believe that our capital structure is well positioned to support our expansion plans. We anticipate that internally generated cash flows will be the primary source of funding for future growth.

Sales of long-term investments generated cash of $42 million in 2010 and $28 million in 2009. As of January 29, 2011, we had investments in auction rate securities (ARS) with a par value of $337 million and an estimated fair value of $276 million. ARS are long-term debt instruments with interest rates reset through periodic short term auctions, which are typically held every 35 days. Beginning in February 2008, liquidity issues in the global credit markets resulted in the failure of auctions for all of our ARS. A failed auction occurs when the amount of securities submitted for sale in the auction exceeds the amount of purchase bids. As a result, holders are unable to liquidate their investment through the auction. A failed auction is not a default of the debt instrument, but does set a new interest rate in accordance with the terms of the debt instrument. A failed auction limits liquidity for holders until there is a successful auction or until such time as another market for ARS develops. ARS are generally callable by the issuer at any time. Scheduled auctions continue to be held until the ARS matures or is called.

To date, we have collected all interest payable on outstanding ARS when due and expect to continue to do so in the future. Substantially all redemptions to date were made at par. At this time, we have no reason to believe that any of the underlying issuers of our ARS or their insurers are presently at risk or that the reduced liquidity has had a significant impact on the underlying credit quality of the assets backing our ARS. While the auction failures limit our ability to liquidate these investments, we believe that the ARS failures will have no significant impact on our ability to fund ongoing operations and growth initiatives.

Net cash used in investing activities decreased $323 million to $640 million in 2009, primarily due to a decrease in capital expenditures. Capital expenditures totaled $666 million for 2009, a $348 million decrease from 2008. This decrease is primarily due to a decrease in the number of new store openings from 75 in 2008 to 56 in 2009.

Financing activities.

Our financing activities used cash of $949 million in 2010 and provided cash of $30 million in 2009. The change is primarily due to treasury stock purchases in the fourth quarter of 2010.

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On November 17, 2010, we entered into an accelerated share repurchase transaction with Morgan Stanley & Co. Incorporated (Morgan Stanley) to repurchase $1.0 billion of Kohl s common stock on an accelerated basis. This accelerated share repurchase was part of the $2.5 billion share repurchase program authorized by our Board of Directors in September 2007. On November 18, 2010, we paid $1.0 billion to Morgan Stanley from cash on hand. We received a total of 18.8 million shares under the program: 12.6 million shares on November 18, 2010, 3.8 million shares on December 7, 2010, 1.5 million on January 11, 2011, and a final delivery of 0.9 million shares on March 3, 2011. The total number of shares received was generally determined by the discounted average of the daily volume weighted average price of shares traded during the relevant pricing periods.

We have $300 million of long-term debt which was due in March 2011 and $100 million of long-term debt which is due in October 2011. We expect to replace this debt in the second half of 2011. In anticipation of the debt refinancing, we entered into an interest rate swap in December 2010 to hedge our exposure to interest rate risk on the first $200 million of debt issued. Amounts related to this financial instrument were not material. We also expect to refinance our $900 million senior unsecured revolving facility which will expire in October 2011.

In February 2011, our Board of Directors approved our first ever dividend. The 25 cent per share quarterly dividend will be paid on March 30, 2011 to all shareholders of record as of March 9, 2011. The dividend reflects the Board s confidence in our long-term cash flow. We expect to use a portion of future free cash flow to continue to pay quarterly dividends. Our Board of Directors also increased the remaining share repurchase authorization under our existing share repurchase program by $2.6 billion, from $900 million to $3.5 billion. We expect to execute the share repurchase program primarily in open market transactions, subject to market conditions and to complete the program by the end of Fiscal 2013.

Our credit ratings have been unchanged since September 2007 when we issued $1 billion in debt. Our ratings are currently as follows:

	Moody s	**Standard & Poor s**	**Fitch**
Long-term debt	Baa1	BBB+	BBB+

We may from time to time seek to retire or purchase our outstanding debt through open market cash purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved could be material.

Our financing activities provided cash of $30 million in 2009 and used cash of $273 million in 2008. The change is primarily due to treasury stock purchases in the first six months of 2008.

Key financial ratios.

Key financial ratios that provide certain measures of our liquidity are as follows:

	2010	**2009**	**2008**
Working capital (In Millions)	**$ 2,935**	$ 3,095	$ 1,884
Current ratio	**2.08:1**	2.29:1	2.02:1
Debt/capitalization	**20.6%**	20.8%	23.5%
Ratio of earnings to fixed charges	**4.5**	4.4	4.5
Return on gross investment*	**18.6%**	17.6%	16.9%

* Return on gross investment is a non-GAAP financial measure.

The decrease in working capital and the current ratio as of year-end 2010 compared to year-end 2009 was primarily due to the reclassification of $400 million of debt maturing in 2011 from long-term to short-term and the $1.0 billion purchase of Kohl s common stock pursuant to the accelerated stock repurchase program. The

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debt/capitalization ratio was comparable to 2009, as share repurchases offset earnings in equity. The ratio of earnings to fixed charges was consistent with prior years. See Exhibit 12.1 to this Annual Report on Form 10-K for the calculation of this ratio.

The increase in working capital and the current ratio as of year-end 2009 compared to year-end 2008 was primarily due to higher cash and cash equivalents. The decrease in the debt/capitalization ratio reflects higher capitalization, primarily due to earnings. The 2009 ratio of earnings to fixed charges was comparable to 2008.

Our Return on Gross Investment (ROI) was 18.7% for 2010, 17.7% for 2009 and 16.9% for 2008. The increases were primarily due to higher earnings. ROI is a non-GAAP financial measure which we define as earnings before interest, taxes, depreciation, amortization and rent (EBITDAR) divided by average gross investment. Our ROI calculation may not be comparable to similarly titled measures reported by other companies. ROI should be evaluated in addition to, and not considered a substitute for, other financial measures such as return on assets. We believe that ROI measures how effectively we utilize our assets, excluding cash equivalents and long-term investments, to generate earnings.

The following table includes our ROI and return on assets (the most comparable GAAP measure) calculations:

	2010	**2009**	**2008**
		(Dollar in millions)	
Net income	**$ 1,114**	$ 991	$ 885
Rent expense	**533**	498	448
Depreciation and amortization	**656**	590	541
Net interest	**132**	124	111
Provision for income taxes	**668**	597	540
EBITDAR	**$ 3,103**	$ 2,800	$ 2,525
Average: (1)			
Total assets	**$ 13,726**	$ 12,299	$ 11,066
Cash equivalents and long-term investments (2)	**(2,472)**	(1,434)	(513)
Goodwill	**(9)**	(9)	(9)
Deferred tax assets	**(86)**	(72)	(71)
Accumulated depreciation (3)	**3,264**	2,824	2,364
Capitalized rent (4)	**5,157**	4,832	4,306
Accounts payable	**(1,441)**	(1,259)	(1,066)
Accrued liabilities	**(969)**	(888)	(786)
Other long-term liabilities	**(557)**	(443)	(383)
Gross Investment (AGI)	**$ 16,613**	$ 15,850	$ 14,908
Return on Assets (ROA) (5)	**8.1%**	8.1%	8.0%
Return on Gross Investment (ROI) (6)	**18.7%**	17.7%	16.9%

(1) Represents average of 5 most recent quarter end balances
(2) Represents excess cash not required for operations
(3) Includes property and equipment and favorable lease rights
(4) Represents 10 times store rent expense and 5 times equipment/other rent
(5) Net income divided by Average total assets
(6) EBITDAR divided by Gross Investment

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Debt Covenant Compliance. Our debt agreements contain various covenants including limitations on additional indebtedness and the following leverage ratio:

	(Dollars in Millions)	
Total Debt per Balance Sheet	$	2,096
Other Debt		
Subtotal		2,096
Rent x 8		4,263
A Included Indebtedness	$	6,359
Net Worth	$	8,102
Investments (accounted for under equity method)		
Subtotal		8,102
Included Indebtedness		6,359
B Capitalization	$	14,461
Leverage Ratio (A/B)		0.44
Maximum permitted Leverage Ratio		0.70

As of January 29, 2011, we were in compliance with all debt covenants and expect to remain in compliance during fiscal 2011.

Free Cash Flow. We generated free cash flow of $915 million in 2010 and $1.6 billion in 2009. The decrease in free cash flow is primarily a result of lower cash provided by operating activities, as discussed above. Free cash flow is a non-GAAP financial measure which we define as net cash provided by operating activities less capital expenditures. Free cash flow should be evaluated in addition to, and not considered a substitute for, other financial measures such as net income and cash flow provided by operations. We believe that free cash flow represents our ability to generate additional cash flow from our business operations.

The following table reconciles net cash provided by operating activities (a GAAP measure) to free cash flow (a non-GAAP measure).

	2010	2009	2008
		(In Millions)	
Net cash provided by operating activities	**$ 1,676**	$ 2,234	$ 1,698
Acquisition of property and equipment and favorable lease rights	**(761)**	(666)	(1,014)
Free cash flow	**$ 915**	$ 1,568	$ 684

We expect to generate $1 billion of free cash flow in fiscal 2011.

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Contractual Obligations

Our contractual obligations as of January 29, 2011 were as follows:

	Total	Less Than 1 Year	1 - 3 Years (In Millions)	3 - 5 Years	More than 5 Years
Recorded contractual obligations:					
Long-term debt	$ 1,900	$ 400	$	$	$ 1,500
Capital leases	202	18	32	20	132
	2,102	418	32	20	1,632
Unrecorded contractual obligations:					
Interest payments:					
Long-term debt	1,615	114	194	194	1,113
Capital leases	140	14	26	22	78
Operating leases (a)	11,280	482	947	931	8,920
Royalties	429	67	143	129	90
Purchase obligations (b)	4,088	4,058	30		
	17,552	4,735	1,340	1,276	10,201
Total	$ 19,654	$ 5,153	$ 1,372	$ 1,296	$ 11,833

(a) Our leases typically require that we pay real estate taxes, insurance and maintenance costs in addition to the minimum rental payments included in the table above. Such costs vary from period to period and totaled $168 million for 2010, $157 million for 2009 and $148 million for 2008.

(b) Our purchase obligations consist mainly of purchase orders for merchandise. Amounts committed under open purchase orders for merchandise are cancelable without penalty prior to a date that precedes the vendors scheduled shipment date.

It is reasonably possible that our unrecognized tax positions may change within the next 12 months, primarily as a result of ongoing audits. While it is possible that one or more of these audits may be resolved in the next year, it is not anticipated that payment of any such amounts in future periods will materially affect liquidity and cash flows.

Off-Balance Sheet Arrangements

We have not provided any financial guarantees as of year-end 2010.

We have not created, and are not party to, any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating our business. We do not have any arrangements or relationships with entities that are not consolidated into the financial statements that are reasonably likely to materially affect our liquidity or the availability of capital resources.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts. A discussion of the more significant estimates follows. Management has discussed the development, selection and disclosure of these estimates and assumptions with the Audit Committee of our Board of Directors.

Retail Inventory Method and Inventory Valuation

We value our inventory at the lower of cost or market with cost determined on the first-in, first-out (FIFO) basis using the retail inventory method (RIM). RIM is an averaging method that has been widely

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used in the retail industry due to its practicality. Under RIM, the valuation of inventories at cost and the resulting gross margins are calculated by applying a cost-to-retail ratio to the retail value of the inventories. The use of RIM will result in inventories being valued at the lower of cost or market as markdowns are currently taken as a reduction of the retail value of inventories.

Based on a review of historical clearance markdowns, current business trends, expected vendor funding and discontinued merchandise categories, an adjustment to inventory is recorded to reflect additional markdowns which are estimated to be necessary to liquidate existing clearance inventories and reduce inventories to the lower of cost or market. Management believes that our inventory valuation approximates the net realizable value of clearance inventory and results in carrying inventory at the lower of cost or market.

Vendor Allowances

We record vendor allowances and discounts in the income statement when the purpose for which those monies were designated is fulfilled. Allowances provided by vendors generally relate to profitability of inventory recently sold and, accordingly, are reflected as reductions to cost of merchandise sold as negotiated. Vendor allowances received for advertising or fixture programs reduce our expense or expenditure for the related advertising or fixture program when appropriate. Vendor allowances will fluctuate based on the amount of promotional and clearance markdowns necessary to liquidate the inventory. See also Note 1 to the consolidated financial statements, Business and Summary of Accounting Policies.

Insurance Reserve Estimates

We use a combination of insurance and self-insurance for a number of risks including workers compensation, general liability and employee-related health care benefits, a portion of which is paid by our associates. We use a third-party actuary, which considers historical claims experience, demographic factors, severity factors and other actuarial assumptions, to estimate the liabilities associated with these risks. A change in claims frequency and severity of claims from historical experience as well as changes in state statutes and the mix of states in which we operate could result in a change to the required reserve levels. We retain the initial risk of $500,000 per occurrence under our workers compensation insurance policy and $250,000 per occurrence under our general liability policy. The lifetime medical payment limit of $1.5 million per plan participant was eliminated on December 31, 2010.

Impairment of Assets and Closed Store Reserves

We have a significant investment in property and equipment and favorable lease rights. The related depreciation and amortization is computed using estimated useful lives of up to 50 years. We review our long-lived assets held for use (including favorable lease rights, goodwill and trademarks) for impairment whenever an event or change in circumstances, such as decisions to close a store, indicates the carrying value of the asset may not be recoverable. We have historically not experienced any significant impairment of long-lived assets or closed store reserves. Decisions to close a store can also result in accelerated depreciation over the revised useful life. When operations at a leased store are discontinued, a reserve is established for the discounted difference between the rent and the expected sublease rental income. A significant change in cash flows, market valuation, demand for real estate or other factors, could result in an increase or decrease in the reserve requirement or impairment charge.

Income Taxes

We pay income taxes based on tax statutes, regulations and case law of the various jurisdictions in which we operate. At any one time, multiple tax years are subject to audit by the various taxing authorities. Our effective income tax rate was 37.5% in 2010, 37.6% in 2009 and 37.9% in 2008. The effective rate is impacted by changes in law, location of new stores, level of earnings and the result of tax audits.

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Operating Leases

As of January 29, 2011, we leased 707 of our 1,089 retail stores. Many lease agreements contain rent holidays, rent escalation clauses and/or contingent rent provisions. We recognize rent expense on a straight-line basis over the expected lease term, including cancelable option periods where failure to exercise such options would result in an economic penalty. We use a time period for our straight-line rent expense calculation that equals or exceeds the time period used for depreciation. In addition, the commencement date of the lease term is the earlier of the date when we become legally obligated for the rent payments or the date when we take possession of the building or land.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

All of our long-term debt at year-end 2010 is at fixed interest rates and, therefore, is not affected by changes in interest rates. When our long-term debt instruments mature, we may refinance them at then existing market interest rates, which may be more or less than interest rates on the maturing debt.

Cash equivalents and long-term investments earn interest at variable rates and are affected by changes in interest rates. During 2010, average investments were $2.7 billion and average yield was 0.3%. If interest rates on the average 2010 variable rate cash equivalents and long-term investments increased by 100 basis points, our annual interest income would also increase by approximately $27 million assuming comparable investment levels.

We entered into an interest rate swap in December 2010 to hedge our exposure to interest rate risk on the first $200 million of debt that we expect to issue in 2011. Amounts related to this financial instrument were not material and we were not a party to any other material derivative financial instruments in 2010, 2009 or 2008.

Item 8. Financial Statements and Supplementary Data

The financial statements are included in this report beginning on page F-3.

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosures

None

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (the Evaluation) at a reasonable assurance level as of the last day of the period covered by this Report.

Based upon the Evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective at the reasonable assurance level. Disclosure controls and procedures are defined by Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the Exchange Act) as controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

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It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions, regardless of how remote.

(b) Management s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of our published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management assessed the effectiveness of our internal control over financial reporting as of January 29, 2011. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework.* Based on our assessment, management believes that, as of January 29, 2011, our internal control over financial reporting is effective based on those criteria.

Ernst & Young LLP, an independent registered public accounting firm, has audited the Consolidated Financial Statements included in this Annual Report on Form 10-K and, as part of its audit, has issued an attestation report, included herein, on the effectiveness of our internal control over financial reporting.

(c) Changes in Internal Control Over Financial Reporting

During the last fiscal quarter, there were no changes in our internal controls that have materially affected or are reasonably likely to materially affect such controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of

Kohl s Corporation

We have audited Kohl s Corporation s internal control over financial reporting as of January 29, 2011, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Kohl s Corporation 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 included in the accompanying Management s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on 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, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, 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.

In our opinion, Kohl s Corporation maintained, in all material respects, effective internal control over financial reporting as of January 29, 2011 based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Kohl s Corporation as of January 29, 2011 and January 30, 2010, and the related consolidated statements of income, changes in shareholders equity, and cash flows for each of the three years in the period ended January 29, 2011 and our report dated March 18, 2011 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Milwaukee, Wisconsin

March 18, 2011

Item 9B. Other Information

None

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

For information with respect to our Directors, the Board of Directors Audit Committee and our written code of ethics, see the applicable portions of the Questions and Answers About our Board of Directors and Corporate Governance Matters and Item 1: Election of Directors sections of the Proxy Statement for our May 12, 2011 Annual Meeting of Shareholders (our 2011 Proxy), which information is incorporated herein by reference. For information with respect to Section 16 reports, see the information provided in the Section 16(a) Beneficial Ownership Reporting Compliance section of our 2011 Proxy, which information is incorporated herein by reference.

Our executive officers as of March 9, 2011 are as follows:

Name	Age	Position
Kevin Mansell	58	Chairman, Chief Executive Officer, President and Director
Don Brennan	50	Chief Merchandising Officer
John Worthington	47	Chief Administrative Officer
Wesley S. McDonald	48	Senior Executive Vice President Chief Financial Officer
Peggy Eskenasi	55	Senior Executive Vice President

Mr. Mansell is responsible for Kohl s long-term growth and profitability along with strategic direction. He has served as Chairman since September 2009, Chief Executive Officer since August 2008 and President and Director since February 1999. He served as Executive Vice President General Merchandise Manager from 1987 to 1998. Mr. Mansell joined Kohl s as a Divisional Merchandise Manager in 1982. Mr. Mansell began his retail career in 1975.

Mr. Brennan was promoted to Chief Merchandising Officer in November 2010 and is responsible for all merchandising divisions, product development, merchandise planning and allocation, as well as E-Commerce. Previously, he had served as Senior Executive Vice President since September 2007. He joined Kohl s in April 2001 as Executive Vice President, Merchandise Planning and Allocation, and also served as Executive Vice President, General Merchandise Manager Men s and Children s from April 2004 to September 2007. Prior to joining Kohl s, Mr. Brennan served in a variety of management positions with Burdines Department Stores, a division of Federated Department Stores, Inc. since 1982. Mr. Brennan has almost 30 years of experience in the retail industry.

Mr. Worthington was promoted to Chief Administrative Officer in November 2010 and is responsible for store operations, store administration, merchandise presentation, loss prevention, real estate, information services and purchasing. Previously, he had served as Senior Executive Vice President since September 2007. Prior to this assignment, Mr. Worthington served in a variety of positions with Kohl s, including Executive Vice President, Director of Stores from 2005 to 2007, Senior Vice President of Stores from 2004 to 2005 and Vice President, Regional Manager from 2002 to 2004. Mr. Worthington was with May Department Stores, Inc. before joining Kohl s and has over 20 years of experience in the retail industry.

Mr. McDonald was promoted to Senior Executive Vice President, Chief Financial Officer in November 2010 and is responsible for financial planning and analysis, investor relations, financial reporting, accounting operations, tax, treasury, corporate governance, credit and capital investment. Previously, he had served as Executive Vice President, Chief Financial Officer since August 2003. Prior to joining Kohl s, Mr. McDonald was Vice President, Chief Financial Officer of Abercrombie & Fitch since June 2000. Mr. McDonald served in a variety of management positions with Target Corporation from 1988 to 2000, most recently as Director, Target Corporation IS Finance & Administration. Mr. McDonald has over 20 years of experience in the retail industry.

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Ms. Eskenasi was promoted to Senior Executive Vice President in November 2010 and oversees all product development. Previously, she had served as Executive Vice President Product Development since October 2004. Prior to joining Kohl s, Ms. Eskenasi served as President of Private Label Brand Development for Saks Inc. and Vice President General Manager for Frederick Atkins.

Members of our Board of Directors as of March 9, 2011 were as follows:

Kevin Mansell

Chairman, President and Chief Executive Officer,

Kohl s Corporation

Frank V. Sica (b)*(c)

Managing Partner,

Tailwind Capital

Peter Boneparth (a)(c)

Senior Advisor,

Irving Capital Partners

Peter M. Sommerhauser

Shareholder,

Godfrey & Kahn, S.C. Law Firm

Steven A. Burd (b)(c)

Chairman, President and Chief Executive Officer,

Safeway Inc.

Stephanie A. Streeter(a)(c)

Former Chairman, President, and Chief Executive Officer,

Banta Corporation

John F. Herma (a)(c)

Former Chief Operating Officer and Secretary,

Kohl s Corporation

Nina G. Vaca(c)

Chairman, Chief Executive Officer,

Pinnacle Technical Resources, Inc.

Dale E. Jones (b)(c)

Vice Chairman and Partner of the CEO and Board Practice in the Americas,

Heidrick and Struggles

Stephen E. Watson(a)*(c)*

Former President, Chief Executive Officer of Gander Mountain, L.L.C.

William S. Kellogg

Former Chairman and Chief Executive Officer,

Kohl s Corporation

Former Chairman and Chief Executive Officer, Department Store Division of Dayton-Hudson Corporation

(a) 2010 Audit Committee member
(b) 2010 Compensation Committee member
(c) 2010 Governance & Nominating Committee member
* Denotes Chair

Item 11. Executive Compensation

See the information provided in the applicable portions of the Questions and Answers About our Board of Directors and Corporate Governance Matters and Item 1: Election of Directors sections of our 2011 Proxy, which information is incorporated herein by reference.

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

See the information provided in the Security Ownership of Certain Beneficial Owners, Directors and Management and Equity Compensation Plan Information sections of our 2011 Proxy, which information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

See the information provided in the Independence Determinations & Related Party Transactions section of our 2011 Proxy, which information is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

See the information provided in the Fees Paid to Ernst & Young section of our 2011 Proxy, which information is incorporated herein by reference.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this report:

1. Consolidated Financial Statements:

See Index to Consolidated Financial Statements on page F-1, the Report of Independent Registered Public Accounting Firm on page F-2 and the Consolidated Financial Statements beginning on page F-3, all of which are incorporated herein by reference.

2. Financial Statement Schedule:

All schedules have been omitted as they are not applicable.

3. Exhibits:

See Exhibit Index of this Form 10-K, which is incorporated herein by reference.

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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.

Kohl s Corporation

By: /s/ KEVIN MANSELL
Kevin Mansell
Chairman, President, Chief Executive Officer and Director
(Principal Executive Officer)

/s/ WESLEY S. MCDONALD
Wesley S. McDonald
Senior Executive Vice President,

Chief Financial Officer
(Principal Financial and Accounting Officer)

Dated: March 17, 2011

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 and in the capacities and on the date indicated above:

/s/ KEVIN MANSELL

Kevin Mansell

Chairman, President, Chief Executive Officer and Director
(Principal Executive Officer)

/s/ PETER BONEPARTH

Peter Boneparth

Director

/s/ FRANK SICA

Frank Sica

Director

/s/ STEVEN A. BURD

Steven A. Burd

Director

/s/ PETER M. SOMMERHAUSER

Peter M. Sommerhauser

Director

/s/ JOHN F. HERMA

John F. Herma

Director

/s/ STEPHANIE A. STREETER

Stephanie A. Streeter

Director

/s/ DALE E. JONES

/s/ NINA VACA

Dale E. Jones	Nina Vaca
Director	*Director*
/s/ William S. Kellogg	/s/ Stephen E. Watson
William S. Kellogg	Stephen E. Watson
Director	*Director*

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Exhibit Index

Exhibit Number	Description
3.1	Articles of Incorporation of the Company, incorporated herein by reference to Exhibit 3.1 of the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 1999.
3.2	Amendment to Articles of Incorporation of the Company, incorporated herein by reference to Exhibit 3.1 of the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended April 29, 2006.
3.3	Amendment to Articles of Incorporation of the Company, incorporated herein by reference to Exhibit 3.1 of the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended May 5, 2007.
3.4	Amended and Restated Bylaws of the Company, incorporated herein by reference to Exhibit 3.1 of the Company s Current Report on Form 8-K filed on February 27, 2009.
4.1	Credit Agreement dated as of October 12, 2006 by and among the Company, the Lenders party thereto, Bank of America, N.A., as an Issuing Bank and Syndication Agent, JPMorgan Chase Bank, N.A., US Bank National Association and Wachovia Bank National Association, as Co-Documentation Agents and The Bank of New York, as an Issuing Bank, the Swing Line Lender and the Administrative Agent, incorporated herein by reference to Exhibit 10.1 of the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended October 28, 2006.
4.2	Certain other long-term debt is described in Note 3 of the Notes to Consolidated Financial Statements. The Company agrees to furnish to the Commission, upon request, copies of any instruments defining the rights of holders of any such long-term debt described in Note 3 and not filed herewith.
10.1	Private Label Credit Card Program Agreement dated as of March 5, 2006, by and between Kohl s Department Stores, Inc., and Chase Bank USA, National Association, incorporated herein by reference to Exhibit 10.2 of the Company s Annual Report on Form 10-K for the fiscal year ended January 28, 2006.
10.2	Private Label Credit Card Program Agreement dated as of August 11, 2010 by and between Kohl s Department Stores, Inc and Capital One, National Association, incorporated herein by reference to Exhibit 10.1 of the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2010.
10.3	Amended and Restated Executive Deferred Compensation Plan, incorporated herein by reference to Exhibit 10.1 of the Company s Annual Report on Form 10-K for the fiscal year ended February 1, 2003.*
10.4	Kohl s Corporation 2005 Deferred Compensation Plan, as amended and restated effective January 1, 2005, incorporated herein by reference to Exhibit 10.4 of the Company s Annual Report on Form 10-K for the fiscal year ended January 28, 2006.*
10.5	Summary of Executive Medical Plan, incorporated herein by reference to Exhibit 10.6 of the Company s Annual Report on Form 10-K for the fiscal year ended January 29, 2005.*
10.6	Summary of Executive Life and Accidental Death and Dismemberment Plans, incorporated herein by reference to Exhibit 10.7 of the Company s Annual Report on Form 10-K for the fiscal year ended January 29, 2005.*
10.7	Kohl s Corporation Executive Bonus Plan, incorporated herein by reference to the Company s Schedule 14A (File No. 001-11084) filed on March 27, 2007.*
10.8	1992 Long-Term Compensation Plan, incorporated herein by reference to Exhibit 10.13 of the Company s registration statement on Form S-1 (File No. 33-46883).*

Exhibit Number	Description
10.9	1994 Long-Term Compensation Plan, incorporated herein by reference to Exhibit 10.15 of the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended May 4, 1996.*
10.10	1997 Stock Option Plan for Outside Directors, incorporated herein by reference to Exhibit 4.4 of the Company s registration statement on Form S-8 (File No. 333-26409), filed on May 2, 1997.*
10.11	Amended and Restated 2003 Long-Term Compensation Plan, incorporated herein by reference to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended August 2, 2008.*
10.12	Kohl s Corporation 2010 Long Term Compensation Plan, incorporated by reference to Annex A to the Proxy Statement on Schedule 14A filed on March 26, 2010 in connection with the Company s 2010 Annual Meeting.*
10.13	Form of Executive Stock Option Agreement pursuant to the Kohl s Corporation 2010 Long Term Compensation Plan, incorporated herein by reference to Exhibit 10.1 of the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended May 1, 2010.*
10.14	Form of Executive Restricted Stock Agreement pursuant to the Kohl s Corporation 2010 Long Term Compensation Plan, incorporated herein by reference to Exhibit 10.2 of the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended May 1, 2010.*
10.15	Form of Outside Director Stock Option Agreement pursuant to the Kohl s Corporation 2010 Long Term Compensation Plan, incorporated herein by reference to Exhibit 10.3 of the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended May 1, 2010.*
10.16	Form of Outside Director Restricted Stock Agreement pursuant to the Kohl s Corporation 2010 Long Term Compensation Plan, incorporated herein by reference to Exhibit 10.4 of the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended May 1, 2010.*
10.17	Summary of Outside Director Compensation.*
10.18	Amended and Restated Employment Agreement between Kohl s Corporation and Kohl s Department Stores, Inc. and Kevin Mansell dated as of September 1, 2009, incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K dated August 26, 2009.*
10.19	Amended and Restated Employment Agreement between Kohl s Corporation and Kohl s Department Stores, Inc. and Donald Brennan dated as of December 1, 2010, incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K dated January 6, 2011.*
10.20	Amended and Restated Employment Agreement between Kohl s Corporation and Kohl s Department Stores, Inc. and John Worthington dated as of December 1, 2010, incorporated by reference to Exhibit 10.2 of the Company s Current Report on Form 8-K dated January 6, 2011.*
10.21	Employment Agreement between the Company and Peggy Eskenasi dated as of December 1, 2010, incorporated by reference to Exhibit 10.3 of the Company s Current Report on Form 8-K dated January 6, 2011.*
10.22	Employment Agreement between the Company and Wesley S. McDonald dated as of December 1, 2010, incorporated by reference to Exhibit 10.4 of the Company s Current Report on Form 8-K dated January 6, 2011.*
10.23	Form of Executive Compensation Agreement between the Company and various key executives incorporated herein by reference to Exhibit 10.31 of the Company s Annual Report on Form 10-K for the fiscal year ended February 3, 2007.*
10.24	Summary of Strategic Action Committee Incentive Program incorporated by reference to Exhibit 10.25 of the Company s Annual Report on Form 10-K for the fiscal year ended January 30, 2010.*
12.1	Ratio of Earnings to Fixed Charges.

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Exhibit Number	Description
21.1	Subsidiaries of the Registrant.
23.1	Consent of Ernst & Young LLP.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

* A management contract or compensatory plan or arrangement.

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Schedules have been omitted as they are not applicable.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of

Kohl s Corporation

We have audited the accompanying consolidated balance sheets of Kohl s Corporation (the Company) as of January 29, 2011 and January 30, 2010, and the related consolidated statements of income, changes in shareholders equity, and cash flows for each of the three years in the period ended January 29, 2011. 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 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 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 Kohl s Corporation at January 29, 2011 and January 30, 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 29, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Kohl s Corporation s internal control over financial reporting as of January 29, 2011, 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 18, 2011, expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Milwaukee, Wisconsin

March 18, 2011

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KOHL S CORPORATION

CONSOLIDATED BALANCE SHEETS

(Dollars In Millions, Except Per Share Data)

	January 29, 2011	January 30, 2010
Assets		
Current assets:		
Cash and cash equivalents	**$ 2,277**	$ 2,267
Merchandise inventories	**3,036**	2,923
Deferred income taxes	**77**	73
Other	**255**	222
Total current assets	**5,645**	5,485
Property and equipment, net	**7,256**	7,018
Long-term investments	**277**	321
Favorable lease rights, net	**193**	204
Other assets	**193**	132
Total assets	**$ 13,564**	$ 13,160
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	**$ 1,138**	$ 1,188
Accrued liabilities	**1,027**	1,002
Income taxes payable	**127**	184
Current portion of long-term debt and capital leases	**418**	16
Total current liabilities	**2,710**	2,390
Long-term debt and capital leases	**1,678**	2,052
Deferred income taxes	**418**	377
Other long-term liabilities	**656**	488
Shareholders equity:		
Common stock $0.01 par value, 800 million shares authorized, 355 and 353 million shares issued	**4**	4
Paid-in capital	**2,225**	2,085
Treasury stock, at cost, 64 and 46 million shares	**(3,643)**	(2,639)
Accumulated other comprehensive loss	**(37)**	(36)
Retained earnings	**9,553**	8,439
Total shareholders equity	**8,102**	7,853
Total liabilities and shareholders' equity	**$ 13,564**	$ 13,160

See accompanying Notes to Consolidated Financial Statements

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KOHL S CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(In Millions, Except Per Share Data)

	2010	2009	2008
Net sales	**$ 18,391**	$ 17,178	$ 16,389
Cost of merchandise sold (exclusive of depreciation shown separately below)	**11,359**	10,680	10,334
Gross margin	**7,032**	6,498	6,055
Operating expenses:			
Selling, general, and administrative	**4,462**	4,196	3,978
Depreciation and amortization	**656**	590	541
Operating income	**1,914**	1,712	1,536
Other expense (income):			
Interest expense	**141**	134	132
Interest income	**(9)**	(10)	(21)
Income before income taxes	**1,782**	1,588	1,425
Provision for income taxes	**668**	597	540
Net income	**$ 1,114**	$ 991	$ 885
Net income per share:			
Basic	**$ 3.67**	$ 3.25	$ 2.89
Diluted	**$ 3.65**	$ 3.23	$ 2.89

See accompanying Notes to Consolidated Financial Statements

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KOHL S CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

(In Millions)

	Common Stock			Treasury Stock		Accumulated Other		
	Shares	Amount	Paid-In Capital	Shares	Amount	Comprehensive Gain (Loss)	Retained Earnings	Total
Balance at February 2, 2008	351	$ 4	$ 1,911	(40)	$ (2,376)	$	$ 6,563	$ 6,102
Net income							885	885
Other comprehensive loss:								
Unrealized loss on investments, net of tax of $29						(46)		(46)
Total comprehensive income								839
Stock options and awards			66					66
Net income tax impact from stock option activity			(6)					(6)
Treasury stock purchases				(6)	(262)			(262)
Balance at January 31, 2009	351	4	1,971	(46)	(2,638)	(46)	7,448	6,739
Net income							991	991
Other comprehensive income:								
Unrealized gain on investments, net of tax of $6						10		10
Total comprehensive income								1,001
Stock options and awards	2		120					120
Net income tax impact from stock option activity			(6)					(6)
Treasury stock purchases					(1)			(1)
Balance at January 30, 2010	**353**	**4**	**2,085**	**(46)**	**(2,639)**	**(36)**	**8,439**	**7,853**
Net income							**1,114**	**1,114**
Other comprehensive loss:								
Unrealized loss on investments, net of tax of $1						**(1)**		**(1)**
Total comprehensive income								**1,113**
Stock options and awards	**2**		**145**					**145**
Net income tax impact from stock option activity			**(5)**					**(5)**
Treasury stock purchases				**(18)**	**(1,004)**			**(1,004)**
Balance at January 29, 2011	**355**	**$ 4**	**$ 2,225**	**(64)**	**$ (3,643)**	**$ (37)**	**$ 9,553**	**$ 8,102**

See accompanying Notes to Consolidated Financial Statements

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KOHL S CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions)

	2010	2009	2008
Operating activities			
Net income	**$ 1,114**	$ 991	$ 885
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**656**	590	541
Share-based compensation	**66**	64	55
Excess tax benefits from share-based compensation	**3**	3	
Deferred income taxes	**38**	52	84
Other non-cash revenues and expenses	**66**	52	49
Changes in operating assets and liabilities:			
Merchandise inventories	**(107)**	(119)	60
Other current and long-term assets	**(50)**	(13)	(40)
Accounts payable	**(50)**	306	48
Accrued and other long-term liabilities	**3**	234	42
Income taxes	**(63)**	74	(26)
Net cash provided by operating activities	**1,676**	2,234	1,698
Investing activities			
Acquisition of property and equipment and favorable lease rights	**(761)**	(666)	(1,014)
Purchases of investments in auction rate securities			(53)
Sales of investments in auction rate securities	**42**	28	93
Other	**2**	(2)	11
Net cash used in investing activities	**(717)**	(640)	(963)
Financing activities			
Treasury stock purchases	**(1,004)**	(1)	(262)
Capital lease payments	**(17)**	(17)	(16)
Proceeds from stock option exercises	**75**	51	5
Excess tax benefits from share-based compensation	**(3)**	(3)	
Net cash (used in) provided by financing activities	**(949)**	30	(273)
Net increase in cash and cash equivalents	**10**	1,624	462
Cash and cash equivalents at beginning of year	**2,267**	643	181
Cash and cash equivalents at end of year	**$ 2,277**	$ 2,267	$ 643

See accompanying Notes to Consolidated Financial Statements

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KOHL S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business and Summary of Accounting Policies

Business

As of January 29, 2011, Kohl s Corporation operated 1,089 family-oriented department stores that feature exclusive and national brand apparel, footwear, accessories, soft home products and housewares targeted to middle-income customers. Our stores are located in 49 states.

Our authorized capital stock consists of 800 million shares of $0.01 par value common stock and 10 million shares of $0.01 par value preferred stock.

Consolidation

The consolidated financial statements include the accounts of Kohl s Corporation and its subsidiaries including Kohl s Department Stores, Inc., its primary operating company. All intercompany accounts and transactions have been eliminated.

Accounting Period

Our fiscal year ends on the Saturday closest to January 31. Unless otherwise noted, references to years in this report relate to fiscal years, rather than to calendar years. Fiscal year 2010 (2010) ended on January 29, 2011. Fiscal year 2009 (2009) ended on January 30, 2010. Fiscal year 2008 (2008) ended on January 31, 2009. Fiscal 2010, 2009 and 2008 were 52-week years.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the prior period Consolidated Statements of Income and Consolidated Statements of Cash Flows to conform to the 2010 presentation.

Cash and Cash Equivalents

In addition to money market investments, cash equivalents include commercial paper with an original maturity of three months or less. We carry these investments at cost which approximates fair value.

Also included in cash and cash equivalents are amounts due from credit card transactions with settlement terms of less than five days. Credit and debit card receivables included within cash were $70 million at January 29, 2011 and $68 million at January 30, 2010.

Long-term Investments

Long-term investments consist primarily of investments in auction rate securities (ARS) which are classified as available-for-sale securities and recorded at market.

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KOHL S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Business and Summary of Accounting Policies (continued)

Merchandise Inventories

Merchandise inventories are valued at the lower of cost or market with cost determined on the first-in, first-out (FIFO) basis using the retail inventory method (RIM). Under RIM, the valuation of inventory at cost and the resulting gross margins are calculated by applying a cost-to-retail ratio to the retail value inventory. RIM is an averaging method that has been widely used in the retail industry due to its practicality. The use of RIM will result in inventory being valued at the lower of cost or market since permanent markdowns are currently taken as a reduction of the retail value of inventory. We record an additional reserve when the future estimated selling price is less than cost.

Property and Equipment

Property and equipment consist of the following:

	Jan. 29, 2011	Jan. 30, 2010
	(In Millions)	
Land	**$ 1,032**	$ 1,040
Buildings and improvements	**6,334**	5,887
Store fixtures and equipment	**2,309**	2,169
Property under capital leases	**271**	242
Construction in progress	**166**	138
Capitalized software	**492**	395
Total property and equipment	**10,604**	9,871
Less accumulated depreciation	**(3,348)**	(2,853)
	$ 7,256	$ 7,018

Construction in progress includes land and improvements for locations not yet opened and for the expansion and remodeling of existing locations in process at the end of each year.

Property and equipment is recorded at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Property rights under capital leases and improvements to leased property are amortized on a straight-line basis over the term of the lease or useful life of the asset, whichever is less. Depreciation and amortization expense for property and equipment, including property under capital leases and capitalized software, totaled $645 million for 2010, $580 million for 2009 and $528 million for 2008.

The annual provisions for depreciation and amortization generally use the following ranges of useful lives:

Buildings and improvements	8-40 years
Store fixtures and equipment	3-15 years
Property under capital leases	5-40 years
Computer hardware and software	3-8 years

Property and equipment acquired through capital leases totaled $34 million for 2010, $14 million for 2009 and $18 million for 2008.

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KOHL S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Business and Summary of Accounting Policies (continued)

Capitalized Interest

We capitalize interest on the acquisition and construction of new locations and expansion of existing locations and depreciate that amount over the lives of the related assets. Capitalized interest was $6 million for 2010, $5 million for 2009 and $8 million for 2008.

Favorable Lease Rights

Favorable lease rights are generally amortized on a straight-line basis over the remaining base lease term plus certain options with a maximum of 50 years. Amortization begins when the respective stores are opened. Accumulated amortization was $130 million at January 29, 2011 and $119 million at January 30, 2010. Amortization expense was $11 million for 2010, $10 million for 2009 and $13 million for 2008. Amortization expense for current favorable lease rights is estimated to be $11 million per year for each of the next three years and $10 million per year for 2014 and 2015.

Long-Lived Assets

All property and equipment and other long-lived assets (including favorable lease rights, trademarks and goodwill) are reviewed when events or changes in circumstances indicate that the asset s carrying value may not be recoverable. If such indicators are present, it is determined whether the sum of the estimated undiscounted future cash flows attributable to such assets is less than their carrying amounts. No material impairments were recorded in 2010, 2009, or 2008 as a result of the tests performed.

Accrued Liabilities

Accrued liabilities consist of the following:

	Jan. 29, 2011	Jan. 30, 2010
	(In Millions)	
Various liabilities to customers	**$ 267**	$ 221
Payroll and related fringe benefits	**184**	201
Sales, property and use taxes	**159**	156
Due to JPMorgan Chase	**84**	121
Accrued construction costs	**97**	76
Accrued interest	**21**	22
Other	**215**	205
	$ 1,027	$ 1,002

The various liabilities to customers include gift cards and merchandise return cards that have been issued but not presented for redemption.

Self-Insurance

We use a combination of insurance and self-insurance for a number of risks including workers compensation, general liability and employee-related health care benefits, a portion of which is paid by our associates. Liabilities associated with these losses include estimates of both reported losses and losses incurred

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KOHL S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Business and Summary of Accounting Policies (continued)

but not yet reported. We use a third-party actuary, which considers historical claims experience, demographic factors, severity factors and other actuarial assumptions, to estimate the liabilities associated with these risks. We retain the initial risk of $500,000 per occurrence under our workers compensation insurance policy and $250,000 per occurrence under our general liability policy. The lifetime medical payment limit of $1.5 million per plan participant was eliminated on December 31, 2010. Total estimated liabilities for workers compensation, general liability and employee-related health benefits, excluding administrative expenses and before pre-funding, were approximately $89 million at January 29, 2011 and $85 million at January 30, 2010. Although these amounts are actuarially determined based on analysis of historical trends, the amounts that we will ultimately disburse could differ from these estimates.

Long-term Liabilities

Other long-term liabilities consist of the following:

	Jan. 29, 2011	**Jan. 30, 2010**
	(In Millions)	
Property-related liabilities (straight-line rents and rent incentives)	**$ 474**	$ 311
Unrecognized tax benefits, including accrued interest and penalties	**120**	114
Deferred compensation	**38**	35
Other	**24**	28
	$ 656	$ 488

Treasury Stock

We account for repurchases of common stock using the cost method with common stock in treasury classified in the Consolidated Balance Sheets as a reduction of shareholders equity.

Revenue Recognition

Revenue from the sale of merchandise at our stores is recognized at the time of sale, net of any returns. E-Commerce sales are recorded based on estimated receipt of merchandise by the customer. Net sales do not include sales tax as we are considered a pass-through conduit for collecting and remitting sales taxes.

Revenue from gift card sales is recognized when the gift card is redeemed. Gift card breakage revenue is based on historical redemption patterns and represents the balance of gift cards for which we believe the likelihood of redemption by a customer is remote.

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KOHL S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Business and Summary of Accounting Policies (continued)

Cost of Merchandise Sold and Selling, General and Administrative Expenses

The following table illustrates the primary costs classified in Cost of Merchandise Sold and Selling, General and Administrative Expenses:

Cost of Merchandise Sold	Selling, General and Administrative Expenses
Total cost of products sold including product development costs, net of vendor payments other than reimbursement of specific, incremental and identifiable costs	Compensation and benefit costs including:
	Stores
Inventory shrink	
	Corporate headquarters, including buying and merchandising
Markdowns	
	Distribution centers
Freight expenses associated with moving merchandise from our vendors to our distribution centers	
	Occupancy and operating costs of our retail, distribution and corporate facilities
Shipping and handling expenses of E-Commerce sales	
	Net revenues from the Kohl s credit card agreement with JPMorgan Chase
Terms cash discount	
	Freight expenses associated with moving merchandise from our distribution centers to our retail stores, and among distribution and retail facilities
	Advertising expenses, offset by vendor payments for reimbursement of specific, incremental and identifiable costs

Costs incurred prior to new store openings, such as advertising, hiring and training costs for new employees, processing and transporting initial merchandise, and rent expense

Other administrative costs

The classification of these expenses varies across the retail industry.

Vendor Allowances

We receive consideration for a variety of vendor-sponsored programs, such as markdown allowances, volume rebates and promotion and advertising support. The vendor consideration is recorded either as a reduction of inventory costs or Selling, General and Administrative (SG&A) expenses based on the application of Accounting Standards Codification (ASC) No. 605, Subtopic 50, Customer Payments and Incentives. Promotional and advertising allowances are intended to offset our advertising costs to promote vendors merchandise. Markdown allowances and volume rebates are recorded as a reduction of inventory costs.

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KOHL S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Business and Summary of Accounting Policies (continued)

Advertising

Advertising costs, which include primarily television and radio broadcast, direct mail, and newspaper circulars, are expensed when the advertisement is first seen. Advertising costs, net of related vendor allowances, were as follows:

	2010	2009	2008
		(In Millions)	
Gross advertising costs	**$ 1,017**	$ 988	$ 1,037
Vendor allowances	**(148)**	(142)	(147)
Net advertising costs	**$ 869**	$ 846	$ 890
Net advertising costs as a percent of net sales	**4.7%**	4.9%	5.4%

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recorded based on differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for income tax purposes. Deferred tax assets and liabilities are calculated using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. We establish valuation allowances for deferred tax assets when we believe it is more likely than not that the asset will not be realizable for tax purposes.

We recognize interest and penalty expense related to unrecognized tax benefits in our provision for income tax expense.

Net Income Per Share

Basic net income per share is net income divided by the average number of common shares outstanding during the period. Diluted net income per share includes incremental shares assumed to be issued upon exercise of stock options.

The information required to compute basic and diluted net income per share is as follows:

	2010	2009	2008
	(In Millions except per share data)		
Numerator net income	**$ 1,114**	$ 991	$ 885
Denominator weighted average shares			
Basic	**304**	305	306
Impact of dilutive employee stock options (a)	**2**	1	1
Diluted	**306**	306	307
Net income per share:			

Basic	**$ 3.67**	$ 3.25	$ 2.89
Diluted	**$ 3.65**	$ 3.23	$ 2.89

(a) Excludes 8 million options for 2010, 17 million options for 2009 and 18 million options for 2008 as the impact of such options was antidilutive.

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KOHL S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Business and Summary of Accounting Policies (continued)

Stock Options

Stock-based compensation expense, including stock options and nonvested stock awards, is recognized on a straight-line basis over the vesting period based on the fair value of awards which are expected to vest. The fair value of all share-based awards is estimated on the date of grant.

2. Long-term Investments

As of January 29, 2011, the par value of our long-term investments was $338 million and the estimated fair value was $277 million. Our auction rate securities (ARS) portfolio consists entirely of highly-rated, insured student loan backed securities. Substantially all of the principal and interest is insured by the federal government and the remainder is insured by highly-rated insurance companies. Approximately $145 million of our ARS (at fair value) are rated AAA by Moody s, Standard & Poor s and/or Fitch Ratings.

Beginning in February 2008, liquidity issues in the global credit markets resulted in the failure of auctions for all of our ARS. A failed auction occurs when the amount of securities submitted for sale in the auction exceeds the amount of purchase bids. As a result, holders are unable to liquidate their investment through the auction. A failed auction is not a default of the debt instrument, but does set a new interest rate in accordance with the terms of the debt instrument. A failed auction limits liquidity for holders until there is a successful auction or until such time as another market for ARS develops. ARS are generally callable by the issuer at any time. Scheduled auctions continue to be held until the ARS matures or is called.

To date, we have collected all interest payable on outstanding ARS when due and expect to continue to do so in the future. At this time, we have no reason to believe that any of the underlying issuers of our ARS or their insurers are presently at risk or that the reduced liquidity has had a significant impact on the underlying credit quality of the assets backing our ARS. While the auction failures limit our ability to liquidate these investments, we do not believe these failures will have any significant impact on our ability to fund ongoing operations and growth initiatives.

We intend to hold these ARS until maturity or until we can liquidate them at par value. Based on our other sources of liquidity, we do not believe we will be required to sell them before recovery of par value. Therefore, impairment charges are considered temporary and have been included in Accumulated Other Comprehensive Loss within our Consolidated Balance Sheet. In certain cases, holding the investments until recovery may mean until maturity, which ranges from 2015 to 2056. The weighted-average maturity date is 2035. As a result of the persistent failed auctions and the uncertainty of when these investments could be successfully liquidated at par, we have recorded all of our ARS as Long-term Investments within the Consolidated Balance Sheet.

ASC No. 820, Fair Value Measurements and Disclosures, requires fair value measurements be classified and disclosed in one of the following three categories:

Level 1:	Financial instruments with unadjusted, quoted prices listed on active market exchanges.
Level 2:	Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over-the-counter traded financial instruments. The prices for the financial instruments are determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.
Level 3:	Financial instruments that are not actively traded on a market exchange. This category includes situations where there is little, if any, market activity for the financial instrument. The prices are determined using significant unobservable inputs or valuation techniques.

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KOHL S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Long-term Investments (continued)

The fair value for our ARS is based on third-party pricing models and is classified as a Level 3 pricing category. We utilized a discounted cash flow model to estimate the current fair market value for each of the securities we owned as there was no recent activity in the secondary markets in these types of securities. This model used unique inputs for each security including discount rate, interest rate currently being paid and maturity. The discount rate was calculated using the closest match available for other insured asset backed securities. A market failure scenario was employed as recent successful auctions of these securities were very limited.

The following table presents a rollforward of our long-term ARS, all of which are measured at fair value on a recurring basis using unobservable inputs (Level 3):

	2010	2009
	(In Millions)	
Balance at beginning of year	**$ 320**	$ 332
Sales	**(42)**	(28)
Unrealized gains / (losses)	**(2)**	16
Balance at end of year	**$ 276**	$ 320

Unrealized gains / (losses) are reported net of deferred taxes of $1 million at January 29, 2011 and $6 million at January 30, 2010 as a component of Accumulated Other Comprehensive Gain (Loss) in the Consolidated Statements of Changes in Shareholders Equity.

3. Debt

Long-term debt consists of the following:

Maturing	Rate	Jan. 29, 2011	Jan. 30, 2010
		($ in Millions)	
Non-callable and unsecured senior debt:			
March 2011	6.32%	**$ 300**	$ 300
October 2011	7.41%	**100**	100
2017	6.31%	**650**	650
2029	7.36%	**200**	200
2033	6.05%	**300**	300
2037	6.89%	**350**	350
Total senior debt	6.55%	**1,900**	1,900
Capital lease obligations		**202**	174
Unamortized debt discount		**(6)**	(6)
Less current portion		**(418)**	(16)
Long-term debt and capital leases		**$ 1,678**	$ 2,052

Based on quoted market prices (Level 1 per ASC No. 820, *Fair Value Measurements and Disclosures*), the estimated fair value of our senior debt was approximately $2.1 billion at both January 29, 2011 and January 30, 2010.

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KOHL S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Debt (continued)

We have various facilities upon which we may draw funds, including a $900 million senior unsecured revolving facility and two demand notes with aggregate availability of $50 million. Depending on the type of advance under these facilities, amounts borrowed bear interest at competitive bid rates; LIBOR plus a margin, depending on our long-term unsecured debt ratings; or the agent bank s base rate. The $900 million revolving facility expires in October 2011. The co-leads of this facility, The Bank of New York Mellon and Bank of America, have each committed $100 million. The remaining 12 lenders have each committed between $30 and $130 million. There were no draws on these facilities during 2010 or 2009. Prior to or upon termination of these facilities, we plan to renew or replace them with similar arrangements.

Our debt agreements contain various covenants including limitations on additional indebtedness and certain financial tests. As of January 29, 2011, we were in compliance with all covenants of the debt agreements.

We also have outstanding trade letters of credit and stand-by letters of credit totaling approximately $78 million at January 29, 2011, issued under uncommitted lines with two banks.

In December 2010, we entered into a $200 million forward starting interest rate swap. We entered into this derivative financial instrument to reduce risk associated with movements in interest rates on debt which we expect to issue in the second half of fiscal 2011. This derivative financial instrument qualifies as a cash flow hedge. Accordingly, the effective portion of the instrument s gains or losses is reported as a component of other comprehensive income and will be reclassified into earnings when the interest payments on the forecasted debt transaction affect earnings. Amounts related to this financial instrument were not material in 2010.

Interest payments, net of amounts capitalized, were $140 million for 2010, $133 million for 2009 and $145 million for 2008.

4. Commitments

We lease certain property and equipment. Rent expense is recognized on a straight-line basis over the expected lease term. The lease term begins on the date we become legally obligated for the rent payments or we take possession of the building or land, whichever is earlier. The lease term includes cancelable option periods where failure to exercise such options would result in an economic penalty. Failure to exercise such options would result in the recognition of accelerated depreciation expense of the related assets.

Rent expense charged to operations was $533 million for 2010, $498 million for 2009 and $448 million for 2008. Rent expense includes contingent rents, which are based on sales, of $3 million for 2010, $2 million for 2009 and $3 million for 2008. In addition, we are often required to pay real estate taxes, insurance and maintenance costs. These items are not included in the rent expenses listed above. Many store leases include multiple renewal options, exercisable at our option, that generally range from four to eight additional five-year periods.

KOHL S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Commitments (continued)

Assets held under capital leases are included in property and equipment and depreciated over the term of the lease. Assets under capital leases consist of the following:

	Jan. 29, 2011	Jan. 30, 2010
	(In Millions)	
Buildings and improvements	**$ 236**	$ 214
Equipment	**35**	27
Less accumulated depreciation	**(110)**	(89)
	$ 161	$ 152

Future minimum lease payments at January 29, 2011, are as follows:

	Capital Leases	Operating Leases
	(In Millions)	
Fiscal Year:		
2011	$ 32	$ 482
2012	30	476
2013	28	471
2014	23	468
2015	19	463
Thereafter	210	8,920
	342	$ 11,280
Less amount representing interest	140	
Present value of lease payments	$ 202	

5. Benefit Plans

We have an Employee Stock Ownership Plan (ESOP) for the benefit of our non-management associates. Contributions are made at the discretion of the Board of Directors. ESOP expenses totaled $20 million for 2010, $17 million for 2009 and $8 million for 2008. Shares of our stock held by the ESOP are included as shares outstanding for purposes of the net income per share computations.

We also have a defined contribution savings plan covering all full-time and certain part-time associates. Participants in this plan may invest up to 100% of their base compensation, subject to certain statutory limits. Prior to 2010, we matched 100% of the first 3% of each participant s contribution. This match was increased to 5% in 2010. Prior to 2010, we also made defined annual contributions for all qualifying associates based on a percentage of qualifying payroll earnings. Defined contribution plan expense, net of forfeitures, was $34 million for 2010, $37

million for 2009 and $30 million for 2008.

We also offer a non-qualified deferred compensation plan to a group of executives which provides for pre-tax compensation deferrals up to 100% of salary and/or bonus. Deferrals and credited investment returns are 100% vested. The expense for 2010, 2009, and 2008 was immaterial.

KOHL S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Income Taxes

Deferred income taxes consist of the following:

	Jan. 29, 2011	Jan. 30, 2010
	(In Millions)	
Deferred tax liabilities:		
Property and equipment	**$ 747**	$ 653
Deferred tax assets:		
Merchandise inventories	**27**	36
Accrued and other liabilities, including stock options	**231**	190
Accrued step rent liability	**124**	100
Unrealized loss on auction rate securities	**24**	23
	406	349
	$ 341	$ 304

The components of the provision for income taxes are as follows:

	2010	2009	2008
		(In Millions)	
Current federal	**$ 562**	$ 480	$ 411
Current state	**69**	59	45
Deferred federal	**34**	53	76
Deferred state	**3**	5	8
	$ 668	$ 597	$ 540
Amounts paid for income taxes	**$ 689**	$ 470	$ 471

The provision for income taxes differs from the amount that would be provided by applying the statutory U.S. corporate tax rate due to the following items:

	2010	2009	2008
Provision at statutory rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal tax benefit	**2.8**	2.9	3.1
Tax-exempt interest income	**(0.3)**	(0.3)	(0.2)
Provision for income taxes	**37.5%**	37.6%	37.9%

We have analyzed filing positions in all of the federal and state jurisdictions where we are required to file income tax returns, as well as all open tax years in these jurisdictions. The only federal returns subject to examination are for the 2003 through 2010 tax years. State returns subject to

examination are generally for the 2003 through 2010 tax years. Certain states have proposed adjustments which we are currently appealing. If we do not prevail on our appeals, we do not anticipate that the adjustments would result in a material change in our financial position.

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KOHL S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Income Taxes (continued)

A reconciliation of the beginning and ending gross amount of unrecognized tax benefits is as follows:

	2010	2009
	(In Millions)	
Balance at beginning of year	**$ 89**	$ 92
Increases due to:		
Tax positions taken in prior years		5
Tax positions taken in current year	**25**	20
Decreases due to:		
Tax positions taken in prior years	**(9)**	(8)
Settlements with taxing authorities	**(4)**	(13)
Lapse of applicable statute of limitations	**(5)**	(7)
Balance at end of year	**$ 96**	$ 89

Not included in the unrecognized tax benefits reconciliation above are gross unrecognized accrued interest and penalties of $24 million at January 29, 2011 and $25 million at January 30, 2010. Interest and penalty expense was $7 million for 2010 and $4 million for 2009.

Our total unrecognized tax benefits that, if recognized, would affect our effective tax rate were $64 million as of January 29, 2011 and $59 million as of January 30, 2010.

It is reasonably possible that our unrecognized tax positions may change within the next 12 months, primarily as a result of ongoing audits. While it is possible that one or more of these examinations may be resolved in the next year, it is not anticipated that a significant impact to the unrecognized tax benefit balance will occur.

7. Stock-Based Compensation

We currently grant share-based compensation pursuant to the Kohl s Corporation 2010 Long-Term Compensation Plan, which provides for the granting of various forms of equity-based awards, including nonvested stock and options to purchase shares of our common stock, to officers, key employees and directors. As of January 29, 2011, there were 18.5 million shares authorized and 18.2 million shares available for grant under the 2010 Long-Term Compensation Plan. Options and nonvested stock that are surrendered or terminated without issuance of shares are available for future grants.

Annual grants of stock options and nonvested stock are made in the first quarter of the subsequent fiscal year. Grants to newly-hired and promoted employees and other discretionary grants are made periodically throughout the remainder of the year. We also have outstanding options which were granted under previous compensation plans.

Stock options

The majority of stock options granted to employees prior to 2009 vest in four equal annual installments. Remaining stock options vest in five to seven equal annual installments. Outside directors stock options are typically granted upon a director s election or re-election to our Board of Directors and vest over the term to which the director was elected, generally one year. Options granted to employees after 2005 have a term of seven

KOHL S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Stock-Based Compensation (continued)

years. Outstanding options granted to employees prior to 2006 have a term of up to 15 years. Options granted to directors have a term of 10 years.

All stock options have an exercise price equal to the fair market value of the common stock on the date of grant. The fair value of each option award is estimated using a Black-Scholes option valuation model and the following assumptions as of the grant date:

	2010	2009	2008
Dividend yield	**0%**	0%	0%
Volatility	**33.5%**	42.8%	36.6%
Risk-free interest rate	**2.3%**	1.8%	2.5%
Expected life in years	**5.5**	5.4	5.3
Weighted average fair value at grant date	**$ 19.07**	$ 17.68	$ 15.52

The dividend yield represents the expected dividends on our stock for the expected term of the option. The expected volatility assumption is based on the historical volatility of our stock. The risk-free interest rate for periods within the life of the option is based on a blend of U.S. Treasury bond rates. We use historical data to estimate the expected life of the option and the period of time that options granted are expected to be outstanding.

The following table summarizes our stock option activity for 2010, 2009, and 2008:

	2010		2009		2008	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
	(Shares in Thousands)					
Balance at beginning of year	**19,848**	**$ 52.10**	19,134	$ 53.01	17,313	$ 55.79
Granted	**656**	**54.56**	3,034	42.88	3,568	41.93
Exercised	**(1,848)**	**40.46**	(1,273)	39.83	(135)	40.87
Forfeited/expired	**(787)**	**57.25**	(1,047)	56.79	(1,612)	59.37
Balance at end of year	**17,869**	**$ 53.17**	19,848	$ 52.10	19,134	$ 53.01

The intrinsic value of options exercised represents the excess of our stock price at the time the option was exercised over the exercise price and was $25 million in 2010, $20 million in 2009 and $1 million in 2008.

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KOHL S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Stock-Based Compensation (continued)

Additional information related to stock options outstanding and exercisable at January 29, 2011, segregated by exercise price range, is summarized below:

	Stock Options Outstanding			Stock Options Exercisable		
Range of Exercise Prices	Shares	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Shares	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price
			(Shares in Thousands)			
$ 17.00 $ 35.50	**1,646**	**3.6**	**$ 29.43**	1,339	3.3	$ 29.65
$ 35.51 $ 38.30	**170**	**4.6**	**37.27**	74	4.3	37.14
$ 38.31 $ 41.63	**2,232**	**5.2**	**41.58**	432	5.4	41.44
$ 41.64 $ 45.57	**1,894**	**4.6**	**43.03**	906	5.0	43.03
$ 45.58 $ 50.37	**2,317**	**7.6**	**48.20**	1,888	8.1	48.05
$ 50.38 $ 51.81	**2,377**	**4.0**	**51.39**	2,303	3.9	51.39
$ 51.82 $ 66.25	**3,092**	**5.3**	**59.29**	2,146	5.1	60.65
$ 66.26 $ 75.90	**1,436**	**5.2**	**68.48**	1,337	5.3	68.23
$ 75.91 $ 77.62	**2,705**	**3.2**	**75.98**	2,053	3.2	75.98
	17,869	**4.8**	**$ 53.17**	12,478	4.8	$ 54.96
Intrinsic value (in thousands)	**$ 82,633**			$ 48,003		

The intrinsic value of outstanding and exercisable stock options represents the excess of our closing stock price on January 29, 2011 ($51.20) over the exercise price multiplied by the applicable number of stock options.

Nonvested stock awards

We have also awarded shares of nonvested common stock to eligible key employees and to our Board of Directors. Substantially all awards have restriction periods tied primarily to employment and/or service. Nonvested stock awarded to employees generally vests over three to five years. Beginning in 2010, nonvested stock was awarded upon a director s election or re-election to our Board of Directors. Director awards vest over the term to which the director was elected, generally one year.

The fair value of nonvested stock awards is the closing price of our common stock on the date of grant. We may acquire shares from employees in lieu of amounts required to satisfy minimum tax withholding requirements upon the vesting of the employee s unvested stock award. Such shares are then designated as treasury shares.

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KOHL S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Stock-Based Compensation (continued)

The following table summarizes nonvested stock activity for 2010, 2009 and 2008:

	2010		2009		2008	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
			(Shares in Thousands)			
Balance at beginning of year	**883**	**$ 45.44**	276	$ 54.39	150	$ 69.98
Granted	**498**	**55.24**	715	43.04	187	44.86
Vested	**(219)**	**47.52**	(76)	57.13	(54)	64.48
Forfeited	**(46)**	**47.75**	(32)	42.51	(7)	54.90
Balance at end of year	**1,116**	**$ 49.30**	883	$ 45.44	276	$ 54.39

The aggregate fair value of awards at the time of vesting was $12 million in 2010, $3 million in 2009 and $2 million in 2008.

Other required disclosures

Stock-based compensation expense for both stock options and nonvested stock awards is included in Selling, General and Administrative expense in our Consolidated Statements of Income. Such expense totaled $66 million for 2010, $64 million for 2009 and $55 million for 2008. At January 29, 2011, we had approximately $120 million of unrecognized share-based compensation expense (before forfeitures and capitalization), which is expected to be recognized over a weighted average period of 2.7 years.

8. Contingencies

We are involved in various legal matters arising in the normal course of business. In the opinion of management, the outcome of such proceedings and litigation will not have a material adverse impact on our financial position or results of operations.

KOHL S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Quarterly Financial Information (Unaudited)

	2010			
	First	Second	Third (1)	Fourth
	(In Millions, Except Per Share Data)			
Net sales	$ 4,035	$ 4,100	$ 4,218	$ 6,038
Gross margin	$ 1,537	$ 1,651	$ 1,622	$ 2,223
Net income	$ 199	$ 260	$ 163	$ 493
Basic shares	307	307	307	295
Basic net income per share	$ 0.65	$ 0.84	$ 0.53	$ 1.67
Diluted shares	309	308	308	297
Diluted net income per share	$ 0.64	$ 0.84	$ 0.53	$ 1.66

	2009			
	First	Second	Third	Fourth
	(In Millions, Except Per Share Data)			
Net sales	$ 3,638	$ 3,806	$ 4,051	$ 5,682
Gross margin	$ 1,368	$ 1,520	$ 1,539	$ 2,070
Net income	$ 137	$ 229	$ 193	$ 431
Basic shares	305	305	305	306
Basic net income per share	$ 0.45	$ 0.76	$ 0.63	$ 1.41
Diluted shares	306	306	308	308
Diluted net income per share	$ 0.45	$ 0.75	$ 0.63	$ 1.40

(1) As discussed in our Quarterly Report on Form 10-Q for the period ended October 30, 2010, we identified various errors in our accounting for leased properties and completed a detailed review of each of our leases in the third quarter of fiscal 2010. These corrections, which were not material to our previously reported financial statements and were recorded as a correction of an error, reduced third quarter net income by $31 million and both basic and diluted earnings per share by $0.10.

Due to changes in stock prices during the year and timing of issuance of shares, the sum of quarterly net income per share may not equal the annual net income per share.

10. Related Party

One of our directors is also a shareholder of a law firm which performs legal services for us.

We have agreements with Blackhawk Network, Inc. (Blackhawk) pursuant to which Blackhawk distributes our prepaid gift cards for sale in various retail outlets and, beginning in 2008, to which we will sell prepaid gift cards for other retailers in our stores. We pay Blackhawk a fee for Kohl s gift cards which are sold at other retailers and receive a fee for selling gift cards for other retailers in our stores. Blackhawk is a subsidiary of Safeway Stores, Inc. (Safeway) and one of our directors is Chairman, President and Chief Executive Officer of Safeway. This director also holds a small minority ownership interest in Blackhawk. The agreements were entered into in the ordinary course of our business, and our director was not involved in any negotiations. Blackhawk is a leading provider of gift card marketing services in the retail industry, and Safeway has confirmed that the terms of our agreements with Blackhawk are substantially similar to the terms of Blackhawk s agreements with other similarly situated national retailers.

KOHL S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Treasury Stock Repurchases

On November 17, 2010, we entered into an accelerated share repurchase transaction with Morgan Stanley & Co. Incorporated (Morgan Stanley) to repurchase $1.0 billion of Kohl s common stock on an accelerated basis. This accelerated share repurchase was part of the $2.5 billion share repurchase program authorized by our Board of Directors in September 2007.

We received a total of 18.8 million shares under the program: 12.6 million shares on November 18, 2010, 3.8 million shares on December 7, 2010, 1.5 million on January 11, 2011, and a final delivery of 0.9 million shares on March 3, 2011. The total number of shares received was generally determined by the discounted average of the daily volume weighted average price of shares traded during the relevant pricing periods.