98

ANNUAL REPORT

Jos. A. Bank

CLOTHIERS, INC.

RETAIL STORES

CATALOGS

CORPORATE DIVISION

INTERNET

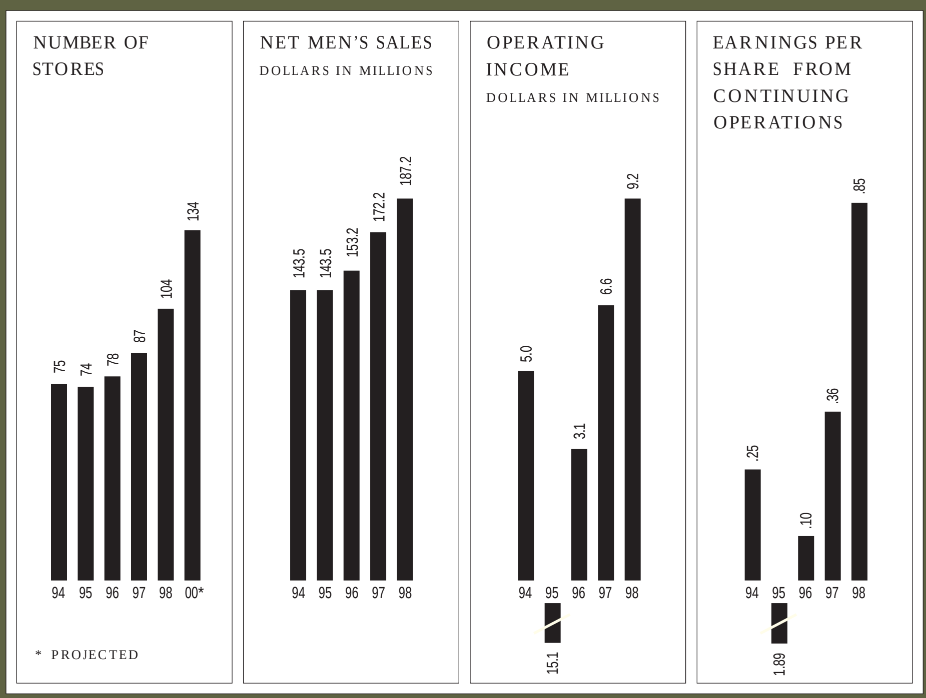
JoS. A. BANK

ESTABLISHED 1905

REACHING OUR CUSTOMERS IN EVERY WAY

FINANCIAL HIGHLIGHTS

(in millions, except per share data)	1997	1998
Net Sales	**$172.2**	**$187.2**
Operating income	**6.6**	**9.2**
Income from continuing operations	**2.5**	**5.9**
Earnings per share from continuing operations	**.36**	**.85**
Weighted average shares outstanding	**6.9**	**7.0**
Total assets	**77.1**	**82.5**
Total debt	**13.0**	**9.2**
Shareholders’ equity	**36.4**	**42.3**



LETTER TO SHAREHOLDERS

Dear Shareholder:

The 1998 fiscal year was our best ever in terms of profitability, growth and financial strength. Profitability-wise, we earned $.85 per share in 1998 compared to $.36 per share in 1997 from continuing operations. Our revenues grew by 9 percent and we were virtually debt-free at year end. This performance is the result of an outstanding effort by a talented management group and they deserve our congratulations for a job well done.

Last year, we announced two strategic initiatives, which included adding 65 new stores including relocations to our base by the end of the year 2000 and a new outsourcing strategy for tailored clothing. Both of these initiatives continue and are on track.

This year, we will be launching a new Corporate sales division, which will enable us to become a player in one of the fastest growing business segments. This division will provide incentive certificates, monogrammed clothing, and corporate discounts directly to corporate clients. We will also offer a new shoe catalog, which will feature outstanding brands such as Cole Haan, Allen Edmonds, Timberland, and Johnston & Murphy.

We have been active in the development of our website and began taking orders on the Internet in August, 1998. We have current arrangements with America Online and Amazon.com and will be constantly improving as the technology is developed.

Your Company is in an excellent growth position having four distinct distribution channels through its retail stores, catalogs, Internet, and Corporate division. These channels are a tremendous asset and necessary requirement for success in retailing for the next millennium.

Timothy F. Finley

TIMOTHY F. FINLEY

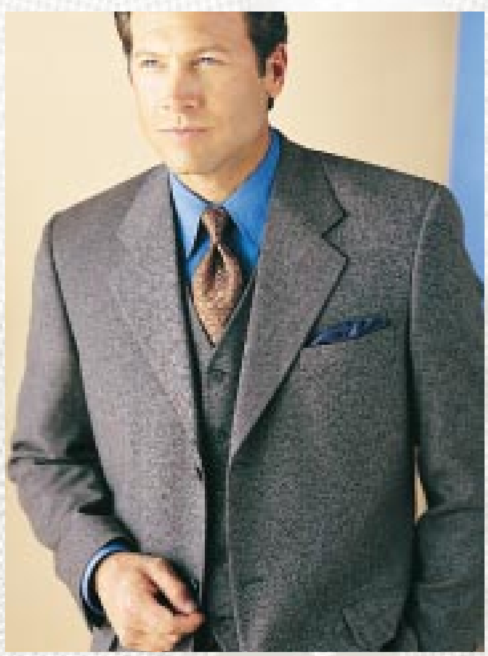
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

REACHING OUR CUSTOMERS, ANYTIME, ANYWHERE

Increasingly, retail customers are making purchases in a variety of ways. Today, customers can purchase Jos. A. Bank products any time of day from virtually anywhere in the world by visiting a store, placing a catalog order, ordering on-line, or ordering corporate gifts through our Corporate division. To meet growing customer demand for convenience and accessibility, we are successfully leveraging our recognized name and quality reputation to build these worldwide channels of distribution.

Our ability to reach prospective and current customers has been enhanced with the development of a new integrated marketing database. This database allows us to more effectively track vital customer data such as last purchase and channel of purchase and more clearly identify cross-selling opportunities.

Across all channels, we continue to respond to the diverse needs of our customers and their growing interest in corporate casual and weekend casual wear. In 1998, we significantly broadened our business casual line with the introduction of cashmere sports coats and an extended assortment of dress slacks and sportswear. In addition, in our traditional business line we introduced our new Super 110 Signature Suit, made of the finest grade of woolen fabrics, expanded our collection of Royal Oxford dress shirts and began carrying the Johnston & Murphy shoe line.



RETAIL STORES

Over the past two and one-half years, we have opened 32 retail stores, a net increase of 44 percent. In 1998, we opened 17 new stores, bringing our total to 104. Our expansion strategy includes opening up to 35 new stores in existing markets and exploring opportunities in new markets such as California and Washington, which we believe have great potential. In 1999, we expect to open between 12 and 15 new stores. Our prototype stores are 4,000 square feet, compared to a current average store size of 6,800 square feet, which is down considerably from our 1997 average of 8,200 square feet. The smaller size stores have proved to be just as productive as existing stores — all of which provide a comfortable, pleasant, professional shopping experience.

BUILDING STORE SALES Commissioned sales associates armed with well-developed selling skills and shopping histories of regular customers, combined with convenient locations in which products are presented in a visually appealing manner, continue to motivate our customers to purchase. In 1999, we will increase store sales through continued attention to existing markets, new product offerings in stores and increased advertising and marketing in existing markets.

CATALOGS

Our catalogs offer potential and existing customers an easy way to order the full range of Jos. A. Bank products. Catalogs are important tools in communicating our high-quality image, providing customers with guidance in coordinating outfits, generating store traffic and providing useful market data on our customers. Customers increasingly are becoming more comfortable purchasing traditional business attire through the catalog.

In 1999, a new order entry system will improve our ability to collect and input data on catalog customers and to develop personal shopping histories from which future purchases can be predicted.

NEW CATALOG OFFERINGS In 1999, a prospect catalog will target prospective buyers, an audience that typically buys more traditional items such as suits, shirts, and shoes as their initial purchases. The merchandise featured in the catalog will be selected based on an overview of historical purchasing patterns of new customers.

A branded shoe and sportswear catalog, to be launched later this year, will feature prominent brands such as Cole Haan, Allen Edmonds, Timberland, Johnston & Murphy and others along with the Jos. A. Bank sportswear brand. The catalog will offer customers a one-stop shopping opportunity and, once again, build on our reputation for convenience and quality.

CORPORATE DIVISION

The newest division of Jos. A. Bank, Corporate sales, was created in mid-1998. The division capitalizes on the expanding corporate market — purchases made by end user organizations as gifts or incentives to their clients or employees. Corporate sales combines two existing business units, the corporate card program and corporate incentive program, with a new business line, corporate monogrammed clothing.

CORPORATE CARD PROGRAM Organizations and companies can participate in our corporate card program, through which all of their employees receive a 20 percent discount off regularly-priced Jos. A. Bank merchandise. The card is honored at all stores as well as for catalog purchases. Over 6,700 companies nationally, from privately-owned to the largest public companies, are now participating in the program. As marketing efforts for the corporate card increase and companies actively promote it as a free benefit to their employees, corporate card sales are expected to grow.

CORPORATE INCENTIVE PROGRAM The corporate incentive program features the sale of Jos. A. Bank gift certificates directly to organizations that use the certificates to celebrate, commemorate, award and recognize employees. As a sales incentive, a recognition award or a holiday gift, our corporate gift certificates have lasting value and allow employees to personally select their own gifts. Several hundred companies across the country are now participating in our corporate incentive program. Within the promotional industry, the clothing category consistently ranks among the top product category, which will create continuing sales opportunities with existing and new customers.

CORPORATE MONOGRAMMED CLOTHING As a recognized high-quality supplier of business and promotional casual wear, we are leveraging our brand awareness and quality reputation to further meet the promotional needs of companies and other organizations. With few high-quality, branded competitors in the decorative services market, we are favorably positioned to offer a full range of options such as reproduction of trademarks, logos and customized monograms on a wide selection of our products including blazers, sweaters, polo shirts, turtlenecks, wind vests and shirts and dress shirts.

INTERNET

Our success as a cataloger facilitated our development of on-line selling capabilities in August, 1998, giving us a worldwide purchasing audience. In early 1999, we were drawing a significant number of new customers to our web site, www.josbank.com, and monthly hits to our site had grown to 14,000 from 1,500 just one year ago. To date, Internet sales numbers for early 1999 exceed last year's busiest holiday purchasing months of November and December.

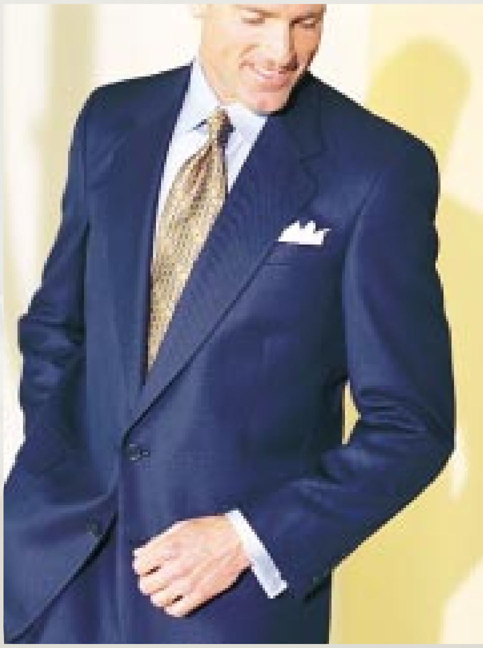
ON-LINE PARTNERSHIPS We are establishing solid on-line partnerships that will generate even more exposure for our web site. Through amazon.com's "Shop the Web" feature, customers can compare price points of similar products offered by various retailers and then gain immediate access to our web site. Through a partnership agreement with America Online, Inc. (AOL), over 16 million subscribers can now access our web site directly from AOL's shopping page. With these and other arrangements, we expect to double our web site activity in the coming year.

ENHANCING TECHNOLOGY We are constantly upgrading our web site to make it more user friendly with streamlined links for quicker and easier navigation. We will continue to take advantage of the latest technologies so that customers can easily make web purchases. As technology evolves, Internet customers can register as Jos. A. Bank preferred customers and receive personal communications alerting them to special offers and new product introductions — all based on customized purchasing pattern information we have collected.

2000 AND BEYOND

Maximizing the opportunities within each of our four distribution channels, we are positioned to increase our profitability by opening new stores, increasing catalog sales, expanding corporate sales and growing Internet sales. As styles and shopping preferences change in the years to come, we are well prepared to meet the demands of a dynamic marketplace and a highly diversified customer base.

We are eagerly anticipating the possibilities of the coming century as we integrate all channels of distribution — enhancing the consistency of our message and the compatibility of selling channels for our customers. By supporting all channels of distribution and using each channel to educate our customers about the others, we will secure our position as a dominant men's clothing retailer for the 21st century.



The following selected consolidated financial data with respect to each of the fiscal years in the five-year period ended January 30, 1999 have been derived from the Company's audited Consolidated Financial Statements. Fiscal year 1995 was a 53-week year and all other years consisted of 52-weeks, each of which ended on the Saturday closest to the end of January of the respective year. The information should be read in conjunction with the Consolidated Financial Statements and Notes thereto that appear elsewhere in the 10-K and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	FISCAL YEAR				
	1994	1995	1996	1997	1998
	in thousands, except per share data				
Consolidated Statements of Income (Loss) Information:					
Net Sales:					
Men's	**$143,465**	**$143,459**	**$153,191**	**$172,174**	**$187,163**
Women's	32,589	25,908	—	—	**—**
Net Sales (a)	176,054	169,367	153,191	172,174	**187,163**
Cost of goods sold	94,199	100,589	82,598	92,001	**96,281**
Gross profit	81,855	68,778	70,593	80,173	**90,882**
Operating Expenses:					
General and administrative	16,490	17,326	16,374	17,695	**18,806**
Sales and marketing	59,375	63,013	50,924	55,609	**62,249**
Store opening costs	1,025		229	301	**617**
Store repositioning costs	—	3,500(b)	—	—	**—**
Total operating expenses	76,890	83,839	67,527	73,605	**81,672**
Operating income (loss)	**4,965**	**(15,061)**	**3,066**	**6,568**	**9,210**
Interest expense, net	(2,430)	(3,444)	(1,946)	(2,501)	**(1,762)**
Income (loss) from continuing operations before income taxes	2,535	(18,505)	1,120	4,067	**7,448**
(Provision) benefit for income taxes	(989)	5,640	(437)	(1,590)	**(1,539)**
Income (loss) from continuing operations	**1,546**	**(12,865)**	**683**	**2,477**	**5,909**
Loss on disposal of manufacturing operations, net of tax (c)	—	—	—	(1,512)	**—**
Loss from discontinued operations, net of tax (c)	(199)	(321)	(432)	(266)	**(51)**(d)
Net income (loss)	**$ 1,347**	**$(13,186)**(a)	**$ 251**	**$ 699**	**$ 5,858**(d)
Per Share Information (Diluted):					
Income (loss) from continuing operations	**$ 0.25**	**$ (1.89)**	**$ 0.10**	**$ 0.36**	**$ 0.85**(d)
Loss on disposal of manufacturing operations	—	—	—	(0.22)	**—**
Loss from discontinued operations	(0.03)	(0.05)	(0.06)	(0.04)	**(0.01)**
Net income (loss) per share	**$ 0.22**	**$ (1.94)**(a)	**$ 0.04**	**$ 0.10**	**$ 0.84**
Weighted average number of shares outstanding (diluted)	6,241	6,790	6,824	6,864	**6,976**
Balance Sheet Information (As of End of Fiscal Year):					
Working capital	$ 45,089	$ 35,722	$ 28,989	$ 26,142	**$ 27,062**
Total assets	100,403	89,190	79,604	77,144	**82,515**
Total debt	23,943	30,220	18,415	12,999	**9,177**
Total long-term obligations (including debt)	27,914	33,373	21,472	15,105	**11,808**
Shareholder's equity	48,631	35,445	35,699	36,398	**42,313**

(a) In 1995, the Company discontinued its women's product line to concentrate solely on its men's business.
(b) In fiscal 1995, the Company recorded an expense of $3.5 million related to the early adoption of Statement of Financial Accounting Standards No. 121 (regarding the impairment of long-lived assets) and costs to exit certain leases and reposition stores.
(c) Represents disposal of manufacturing operations in 1997. All years presented herein have been restated to reflect this discontinued operation.
(d) Includes a benefit of $1,365 or $.20 per share related to the reversal of a valuation allowance which has been recorded in 1995 related to tax net operating losses.

OVERVIEW

The Company's income from continuing operations increased to $5.9 million or $.85 per share in fiscal year 1998 from $2.5 million or $.36 per share in fiscal year 1997. This improved profitability was driven by an 8.7% increase in sales compared to 1997 and strong margins in all product categories resulting from merchandising mix and improved inventory management. While the Company's comparable store sales were even with 1997, gross profit increased $2.7 million in the comparable stores, thus generating increased profitability compared to 1997.

The Company opened 17 new stores in 1998 and has opened 32 new stores since Spring 1996 (mostly in existing markets) which has temporarily slowed comparable store growth. The Company plans to open approximately 30 new stores (excluding relocations) over the next two years, an increase to the existing store base of approximately 29%. The increased store base has provided the Company with greater leverage of its expenses such as advertising, marketing, distribution and sourcing infrastructure.

In the past two years, the Company has developed, opened and refined a 4,000 square foot prototype store which is significantly smaller than its average stores and which allows for increased market opportunity for new stores and for greater efficiencies in the stores. The Company believes these stores offer customers greater convenience while allowing the Company to maintain proper levels of quality merchandise.

The Company's availability in excess of outstanding borrowings, as supported by the existing borrowing base under its Credit Agreement, has increased to $28.7 million at April 23, 1999 compared to $25.9 million at the same time in 1998.

RESULTS OF OPERATIONS

The following table is derived from the Company's Consolidated Statements of Income and sets forth, for the periods indicated, the items included in the Consolidated Statements of Income expressed as a percentage of net sales.

PERCENTAGE OF NET SALES

	FISCAL YEARS		
	1996	1997	**1998**
Net Sales	100.0%	100.0%	**100.0%**
Cost of goods sold	53.9	53.4	**51.4**
Gross profit	46.1	46.6	**48.6**
General and administrative expenses	10.7	10.3	**10.0**
Sales and marketing expenses	33.3	32.3	**33.3**
Store opening costs	0.1	0.2	**0.3**
Operating income	2.0	3.8	**4.9**
Interest expense, net	(1.3)	(1.5)	**(0.9)**
Income from continuing operations before income taxes	0.7	2.3	**4.0**
Income taxes	(0.3)	(0.9)	**(0.8)**
Income from continuing operations, net of tax	0.4	1.4	**3.2**
Loss from discontinued operations, net of tax	(0.2)	(1.0)	**(0.1)**
Net income	0.2%	0.4%	**3.1%**

FISCAL 1998 COMPARED TO FISCAL 1997

NET SALES — Net sales increased $15.0 million or 8.7% to $187.2 million in fiscal 1998 from $172.2 million in fiscal 1997. The increase in net sales was provided primarily by the opening of 32 new stores since Spring of 1996.

GROSS PROFIT — Gross profit as a percent of sales increased 2.0 percentage points to 48.6% from 46.6% due primarily to continued increases in sales of higher quality products and improved inventory management resulting in reduced markdowns.

GENERAL AND ADMINISTRATIVE EXPENSES — General and administrative expenses continued to decline as a percent of sales to 10.0% in fiscal 1998 from 10.3% and 10.7% in fiscal years 1996 and 1997, respectively, as the Company is able to leverage its overhead while opening new stores. Total general and administrative expenses increased to $18.8 million in 1998 from $17.7 million in 1997. This increase was due primarily to higher personnel and travel costs related to Company growth.

SALES AND MARKETING EXPENSES — Sales and marketing expenses increased $6.6 million to $62.2 million in fiscal 1998 from $55.6 million in fiscal 1997. Nearly all of this increase was from costs associated with new stores (stores which were open less than 24 months as of January, 1998). The Company expects these costs to decrease as a percent of sales in the future as the new stores mature.

STORE OPENING COSTS — Store opening expenses, which include direct incremental costs incurred to open new stores, increased in 1998 compared to 1997 as a result of opening 17 new stores in 1998 compared to opening 9 new stores in 1997.

INTEREST EXPENSE — Interest expense decreased $.7 million to $1.8 million in fiscal 1998 from $2.5 million in 1997. This improvement was due primarily to lower average borrowing on the Wells Fargo credit facility and lower interest rates in fiscal 1998 compared to fiscal 1997. The Company's borrowing rates may vary in the future depending upon prime and LIBOR rate fluctuations.

INCOME TAXES — At January 30, 1999, the Company had approximately $6.0 million of tax net operating loss carryforwards ("NOLs") which expire in 2010. SFAS No. 109 requires that the tax benefit of such NOLs be recorded as an asset to the extent that management assesses the utilization of such NOLs to be "more likely than not". Realization of the future tax benefits is dependent on the Company's ability to generate taxable income within the carryforward period. Future levels of operating income are dependent upon general economic conditions, including interest rates and general levels of economic activity, competitive pressures on sales and margins and other factors beyond the Company's control. Therefore no assurance can be given that sufficient taxable income will be generated for full utilization of the NOLs. As of the beginning of the fiscal year 1998, the Company had a deferred tax asset of $4.6 million related to NOLs and an offsetting valuation allowance of approximately $1.4 million. Management has determined, based on the Company's recent history of earnings, that future earnings of the Company will more likely than not be sufficient to utilize all of the NOLs prior to their expiration. Accordingly, during the third quarter of 1998, the Company eliminated the $1.4 million valuation reserve.

FISCAL 1997 COMPARED TO FISCAL 1996

NET SALES — Net sales increased $19.0 million or 12.4% to $172.2 million in fiscal 1997 from $153.2 million in fiscal 1996. Comparable store sales increased 4.1% in fiscal 1997 while catalog sales increased 17%. The increase in comparable store sales was primarily due to strong merchandise offerings, an increase in marketing activity and the improvement of the sportswear offering, among other factors. The increase in catalog sales was consistent with the circulation increase, reflecting continued strong response to the catalog. The Company opened eight Company-owned stores and one franchise store in existing markets during 1997 compared to four new Company-owned stores and two new franchise stores in 1996.

GROSS PROFIT — Gross profit as a percentage of net sales increased to 46.6% in fiscal 1997 from 46.1% in fiscal 1996 due primarily to an increase in sales of higher quality products and better inventory management resulting in fewer markdowns. The Company has strategically liquidated its inventories during the year, resulting in improved inventory aging compared to the prior year.

GENERAL AND ADMINISTRATIVE EXPENSES — General and administrative expenses of $17.7 million increased $1.3 million from $16.4 million in fiscal 1996 due primarily to a) professional fees for several union negotiations, the issuance of a stockholders rights plan and a store expansion study and b) an incentive credit recorded in fiscal 1996 related to the relocation of a store. Such expenses decreased as a percentage of sales, reflecting increased leverage from the higher store base.

SALES AND MARKETING EXPENSES — Sales and marketing expenses decreased as a percentage of net sales to 32.3% in fiscal 1997 from 33.3% in fiscal 1996 reflecting improved leverage of advertising expense as a result of the higher number of stores in existing markets and a reduction in store payroll costs. In addition, the Company spent over $1.0 million on a new national image advertising program on CNN Headline news in 1997 which it views as a key component to long-term brand awareness.

STORE OPENING COSTS — Store opening expenses, which include direct incremental costs incurred to open new stores, increased in 1997 compared to 1996 as a result of opening twice as many new stores in 1997.

INTEREST EXPENSE — Excluding $.6 million of interest income earned in fiscal 1996 related to an income tax refund received from the Company's pre-1986 parent, interest expense was comparable in 1997 and 1996, despite increasing capital expenditures to $4.1 million in 1997 from $2.1 million in 1996. The Company also amended its Credit Agreement in 1997 which resulted in a lower interest rate based on operating results.

INCOME TAXES — The Company has net tax operating loss carryforwards (NOLs) of approximately $15.0 million which expire through 2010. The NOLs were generated during periods in which the Company operated its women's business along with the men's business, primarily in fiscal 1995. In 1995, the Company discontinued its women's business to focus its efforts on its men's business. Realization of the future tax benefits of the NOLs is dependent on the Company's ability to generate taxable income within the carryforward period. Management has determined, based on the Company's history of earnings, its recent operating results and growth plans, that future earnings of the Company will more likely than not be sufficient to utilize at least $10.0 million of the NOLs prior to their expiration. Accordingly, the Company has recorded a deferred tax asset of $4.6 million and a valuation allowance of $1.4 million relating to the NOLs. The average minimum taxable income that the Company would need to generate prior to the expiration of the NOLs would be less than the average taxable income that the Company earned during fiscal years 1996 and 1997, as adjusted for unusual charges. Management believes that although the recent earnings and estimated future earnings might justify a higher amount, the recorded asset represents a reasonable estimate of the future utilization of the NOLs. The Company will continue to evaluate the likelihood of future profit and the necessity of future adjustments to the deferred tax asset valuation allowance. No assurance can be given that sufficient taxable income will be generated for full utilization of the NOLs.

LIQUIDITY AND CAPITAL RESOURCES

The Company's availability in excess of outstanding borrowings, as supported by the existing borrowing base under its Credit Agreement, has increased to $28.7 million at April 23, 1999 compared to $25.9 million at the same time in 1998. The Company's availability at April 23, 1999 has increased compared to the same time in 1998 principally by improved operating results.

The following table summarizes the Company's sources and uses of funds as reflected in the Condensed Consolidated Statements of Cash Flows:

	YEARS ENDED	
	JAN. 31, 1998	**JAN. 30, 1999**
Cash provided by (used in):		
Operating activities	$ 9,910	**$ 9,484**
Investing activities	(4,056)	**(6,319)**
Financing activities	(5,432)	**(3,817)**
Discontinued operations	(577)	**836**
Net (decrease) increase in cash and cash equivalents	$ (155)	**$ 184**

Cash provided by the Company's operating activities (net) was due primarily to improved operating results and the use of tax net operating losses to reduce tax payments. Cash used in investing activities relates primarily to leasehold improvements in new, renovated and relocated stores. The Company spent approximately $6.3 million on capital expenditures in fiscal year 1998 primarily for the buildout of new, renovated and relocated stores and to upgrade its distribution center to accommodate up to 140 stores. Cash used in financing activities represents primarily repayments of the revolving loan under the Credit Agreement.

The Company expects to spend between $8.0 and $8.5 million on capital expenditures in 1999, primarily to open between 12 and 15 new stores, to relocate, downsize or renovate at least ten stores and to install a new point-of-sale system. The store expansion program is being financed through operations, the Credit Agreement and fixture leasing arrangements. The Company expects to open approximately 30 additional stores (excluding relocations) in the next two years, mostly in existing markets. The Company believes that its existing markets can support these additional stores which will provide additional leverage for its management, distribution, advertising and sourcing infrastructure. To support this growth, the Company is upgrading certain information systems and its existing distribution center. The Company believes that its current liquidity and its Credit Agreement will be adequate to support its current working capital and investment needs. Further expansion beyond 1999 may necessitate revised financing arrangements for the Company.

The Company expects to devote significant efforts in 1999 to ensure that its business-critical systems are "Year 2000 compliant". The Year 2000 ("Y2K") issue is the result of computer programs using a two-digit format, as opposed to four digits, to indicate the year. Such computer systems will be unable to accurately interpret dates beyond the year

1999, which could cause a system failure or other computer errors, leading to disruptions in operations.

The Company has performed an assessment of its systems in order to identify Y2K issues and has identified its business-critical area of exposure to be: (a) merchandising and financial, (b) point-of-sale (POS), (c) cash management, (d) catalog, (e) warehouse management, and (f) third party relationships. Most of the Company's applications operate on two IBM AS/400 hardware configurations and are "off-the-shelf" packages with modifications and interfaces made by the Company. The Company also relies on personal computers to prepare detailed analysis. The Company believes that by installing the vendor-developed upgrades to the latest versions of its existing systems and re-working its modifications and interfaces, most of the Y2K issues should be corrected. The vendors for the merchandising, general ledger and catalog applications have certified that the updated versions of their systems are Y2K complaint.

The Company expects to complete the installation of the latest versions of its systems by the middle of 1999 with Y2K testing performed for each application installed. In accordance with this plan, in August, 1998 the Company installed and implemented the latest version of its merchandising, warehouse, sales audit, accounts payable and general ledger system (which included many upgrades in addition to Y2K compliance), and expects to finalize the related Y2K testing for these applications in the first half of 1999. The Company expects to complete the upgrade of its catalog system in May, 1999 with Y2K testing performed thereafter. The Company's existing POS system is Y2K complaint. However, to improve customer service and customer database management, the Company is replacing its current POS system with installation of the base system expected to be completed in August, 1999. The Company has identified certain third parties who supply product to the Company and they do not expect to have any significant disruptions to deliveries as a result of Y2K issues. However the Company will continue to monitor this situation.

The Company has also reviewed its less critical and non-Information Technology areas such as their personal computers and related software, security and phone systems, etc., and has determined that these items are Y2K substantially compliant and does not anticipate any major disruptions.

The Company estimates that it will spend approximately $1.0 million (representing a combination of capital and expense) on these upgrades through the end of fiscal 1999, although an exact amount related to Y2K compliance cannot be measured because many of the upgrades include increased functionality as well as Y2K compliance.

Should these efforts not be successful, the Y2K problems could have a material impact on the operations of the Company. Although there is a high level of confidence that these efforts will be successful, there can be no guarantee that these estimates will be achieved and actual results could differ materially from those anticipated. The Company has not developed a formal contingency plan should any of its critical systems not operate in the Year 2000 and expects to focus on this aspect of the Y2K project in the second half of 1999.

The Company's plans and beliefs concerning future operations contained herein are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those forecast due to a variety of factors that can adversely affect the Company's operating results, liquidity and financial condition such as risks associated with economic, weather and other factors affecting consumer spending, the mix of goods sold, pricing, availability of lease sites for new stores and other competitive factors.

SEASONALITY

Unlike many other retailers, the Company's operations are not greatly affected by seasonal fluctuations. Although variations in sales volumes do exist between quarters, the Company believes the nature of its merchandise helps to stabilize demand between the different periods of the year. The Company does not expect seasonal fluctuation to materially affect its operations in the future.

REPORT OF INDEPENDENT PUBLIC ACCOUNTS

Jos. A. Bank Clothiers, Inc. and Subsidiaries

To the Board of Directors and Shareholders
of Jos. A. Bank Clothiers, Inc.:

We have audited the accompanying consolidated balance sheets of Jos. A. Bank Clothiers, Inc. (a Delaware corporation) and subsidiaries as of January 31, 1998 and January 30, 1999, and the related consolidated statements of income, shareholders' equity and cash flows for the years ended February 1, 1997, January 31, 1998 and January 30, 1999. 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 generally accepted auditing standards. 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 financial position of Jos. A. Bank Clothiers, Inc. and subsidiaries as of January 31, 1998 and January 30, 1999, and the results of their operations and their cash flows for the years ended February 1, 1997, January 31, 1998 and January 30, 1999, in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Baltimore, Maryland
March 2, 1999

CONSOLIDATED BALANCE SHEETS

January 31, 1998 and January 31, 1999

Jos. A. Bank Clothiers, Inc. and Subsidiaries

ASSETS	JAN. 31, 1998	JAN. 30, 1999
	in thousands, except share information	
CURRENT ASSETS:		
Cash and cash equivalents	$ 564	**$ 748**
Accounts receivable	2,737	**2,808**
Inventories	40,114	**44,828**
Prepaid expenses and other current assets	4,338	**4,189**
Deferred income taxes	4,030	**2,883**
Total current assets	51,783	**55,456**
NONCURRENT ASSETS:		
Property, plant and equipment, net	22,107	**24,547**
Other noncurrent assets, net	791	**512**
Deferred income taxes	1,680	**2,000**
Net noncurrent assets of discontinued operations	783	**—**
Total assets	$ 77,144	**$ 82,515**
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 13,319	**$ 14,012**
Accrued expenses	9,774	**12,504**
Current portion of long-term debt	1,448	**1,111**
Current portion of pension termination liability	437	**—**
Net current liabilities of discontinued operations	663	**767**
Total current liabilities	25,641	**28,394**
NONCURRENT LIABILITIES:		
Long-term debt	11,551	**8,066**
Deferred rent	3,474	**3,662**
Pension liability	80	**80**
Total liabilities	40,746	**40,202**
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common stock, $.01 par, 20,000,000 shares authorized, 7,000,567 issued and 6,791,152 outstanding as of January 31, 1998 and 6,792,027 outstanding as of January 30, 1999	70	**70**
Preferred stock, $1.00 par, 500,000 shares authorized,none issued or outstanding	—	**—**
Additional paid-in capital	56,336	**56,393**
Accumulated deficit	(18,088)	**(12,230)**
Less 209,415 as of January 31, 1998 and 208,540 as of January 30, 1999 shares of common stock held in treasury, at cost	(1,920)	**(1,920)**
Total shareholders' equity	36,398	**42,313**
Total liabilities and shareholders' equity	$ 77,144	**$ 82,515**

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

CONSOLIDATED STATEMENTS OF INCOME

Fore the years ended February 1, 1997, January 31, 1998 and January 30, 1999

Jos. A. Bank Clothiers, Inc. and Subsidiaries

	FEB. 1, 1997	JAN. 31, 1998	**JAN. 30, 1999**
	in thousands, except per share information		
NET SALES	**$153,191**	**$172,174**	**$187,163**
COST OF GOODS SOLD	82,598	92,001	**96,281**
Gross Profit	70,593	80,173	**90,882**
OPERATING EXPENSES:			
General and administrative	16,374	17,695	**18,806**
Sales and marketing	50,924	55,609	**62,249**
Store opening costs	229	301	**617**
Total operating expenses	67,527	73,605	**81,672**
OPERATING INCOME	**3,066**	**6,568**	**9,210**
Interest expense, net	(1,946)	(2,501)	**(1,762)**
Income from continuing operations before provision for income taxes	1,120	4,067	**7,448**
Provision for income taxes	(437)	(1,590)	**(1,539)**
INCOME FROM CONTINUING OPERATIONS	**683**	**2,477**	**5,909**
Discontinued operations, net of tax:			
Loss on disposal of manufacturing operations	—	(1,512)	**—**
Loss from discontinued operations	(432)	(266)	**(51)**
Net income	$ 51	$ 699	**$ 5,858**
EARNINGS PER SHARE:			
Income from continuing operations:			
Basic	**$ 0.10**	**$ 0.36**	**$ 0.87**
Diluted	**$ 0.10**	**$ 0.36**	**$ 0.85**
Discontinued operations (net of tax):			
Basic	$ (0.06)	$ (0.26)	**$ (0.01)**
Diluted	$ (0.06)	$ (0.26)	**$ (0.01)**
Net income:			
Basic	$ 0.04	$ 0.10	**$ 0.86**
Diluted	$ 0.04	$ 0.10	**$ 0.84**
Weighted average shares outstanding:			
Basic	6,790	6,791	**6,791**
Diluted	6,824	6,864	**6,976**

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Fore the years ended February 1, 1997, January 31, 1998 and January 30, 1999

Jos. A. Bank Clothiers, Inc. and Subsidiaries

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TREASURY STOCK	TOTAL SHAREHOLDERS' EQUITY
			in thousands		
BALANCE, February 3, 1996	**$ 70**	**$56,333**	**$(19,038)**	**$(1,920)**	**$35,445**
Net income	—	—	251	—	251
Net proceeds from issuance of common stock (1,000 shares) pursuant to Incentive Option Plan	—	3	—	—	3
BALANCE, February 1, 1997	**70**	**56,336**	**(18,787)**	**(1,920)**	**35,699**
Net income	—	—	699	—	699
BALANCE, January 31, 1998	**70**	**56,336**	**(18,088)**	**(1,920)**	**36,398**
Net income	—	—	5,858	—	5,858
Net proceeds from issuance of common stock (875 shares) pursuant to Incentive Option Plan	—	5	—	—	5
Stock based compensation	—	52	—	—	52
BALANCE, January 30, 1999	**$ 70**	**$56,393**	**$(12,230)**	**$(1,920)**	**$42,313**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fore the years ended February 1, 1997, January 31, 1998 and January 30, 1999

Jos. A. Bank Clothiers, Inc. and Subsidiaries

	YEAR ENDED		
	FEB. 1, 1997	JAN. 31, 1998	**JAN. 30, 1999**
		in thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 251	$ 699	**$ 5,858**
Loss from discontinued operations	432	266	**51**
Loss on disposal of manufacturing operations	—	1,512	**—**
Income from continuing operations	683	2,477	**5,909**
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred tax expense	3,884	1,573	**827**
Depreciation and amortization	3,645	3,581	**4,105**
(Gain) loss on disposition of assets	(25)	2	**—**
Stock based compensation	—	—	**52**
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	780	349	**(71)**
(Increase) decrease in inventories	2,394	(546)	**(4,714)**
(increase) decrease in prepaid expenses and other current assets	(481)	511	**149**
(Increase) decrease in other noncurrent assets	101	248	**53**
Increase in accounts payable	3,338	1,192	**693**
Decrease in long-term pension liability	(730)	(803)	**(437)**
Increase in accrued expenses	196	1,070	**2,730**
Increase in deferred rent	134	256	**188**
Net cash provided by operating activities of continuing operations	13,919	9,910	**9,484**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(2,137)	(4,056)	**(6,319)**
Proceeds from disposal of assets	779	—	**—**
Net cash used in investing activities of continuing operations	(1,358)	(4,056)	**(6,319)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings under revolving loan agreement	29,786	36,505	**36,549**
Repayment of borrowings under revolving loan agreement	(40,680)	(42,419)	**(40,329)**
Borrowing of other long-term debt	—	833	**277**
Repayment of other long-term debt	(911)	(335)	**(319)**
Principal payments under capital lease obligations	(183)	(16)	**—**
Payments related to debt financing	(142)	—	**—**
Net proceeds from issuance of common stock	3	—	**5**
Net cash used in financing activities of continuing operations	(12,127)	(5,432)	**(3,817)**
Net cash (used in) provided by discontinued operations	(359)	(577)	**836**
Net increase (decrease) in cash and cash equivalents	75	(155)	**184**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	644	719	**564**
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 719	$ 564	**$ 748**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF BUSINESS — Jos. A. Bank Clothiers, Inc. ("Clothiers") is a nationwide retailer of classic men's clothing through conventional retail stores, catalog and internet direct marketing and franchisees.

FISCAL YEAR — The Company maintains its accounts on a fifty-two/fifty-three week fiscal year ending on the Saturday nearest to January 31. The fiscal years ended February 1, 1997 (fiscal 1996), January 31, 1998 (fiscal 1997) and January 30, 1999 (fiscal 1998), each contained fifty-two weeks.

BASIS OF PRESENTATION — The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PRINCIPLES OF CONSOLIDATION — The consolidated financial statements include the accounts of Clothiers and its wholly-owned subsidiaries, The Joseph A. Bank Mfg. Co., Inc. and National Tailoring Services, Inc. (collectively referred to as the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS — Cash and cash equivalents include overnight investments.

SUPPLEMENTAL CASH FLOW INFORMATION — Interest and income taxes paid were as follows (in thousands):

	YEARS ENDED		
	FEB. 1, 1997	JAN. 31, 1998	**JAN. 30, 1999**
Interest paid	$2,784	$2,181	**$1,462**
Income taxes paid	100	101	**252**

INVENTORIES — Inventories are stated at the lower of first-in first-out, cost or market. The Company capitalizes into inventories certain warehousing and delivery costs associated with getting its merchandise to the point of sale.

CATALOGS AND PROMOTIONAL MATERIALS — Costs related to mail order catalogs and promotional materials are included in prepaid expenses and other current assets. These costs are amortized over the expected periods of benefit, not to exceed six months. At January 31, 1998 and January 30, 1999, prepaid catalog and promotional materials were approximately $1,726,000 and $1,400,000, respectively, representing expenditures for the applicable subsequent spring catalog.

PROPERTY, PLANT AND EQUIPMENT — Property, plant and equipment are stated at cost. The Company depreciates and amortizes property, plant and equipment on a straight-line basis over the following estimated useful lives:

ASSET CLASS	ESTIMATED USEFUL LIVES
Buildings	25 years
Equipment	3-10 years
Furniture and fixtures	10 years
Leasehold improvements	Initial term of lease, not to exceed 10 years

OTHER NONCURRENT ASSETS — Other noncurrent assets includes deferred financing costs of $282,000 and $57,000 as of January 31, 1998 and January 30, 1999, respectively. Deferred financing costs were incurred in connection with the Company's bank credit agreement described in Note 6 and are being amortized as additional interest expense over the remaining term of the agreement using the effective interest method. Other noncurrent assets also include $427,000 and $375,000 of notes receivable as of January 31, 1998 and January 30, 1999, respectively.

FAIR VALUE OF FINANCIAL INSTRUMENTS — For cash and equivalents, the carrying amount is a reasonable estimate of fair value. For long-term debt, rates available for debt with similar terms and remaining maturities are used to estimate the fair value of existing debt.

FRANCHISE REVENUE RECOGNITION — Initial franchise fees for a store are generally recognized as revenue when the Company has provided substantially all the initial franchise services. Inventory sales (and cost of sales) to the franchisees are recognized when the inventory is shipped. Monthly franchise fees are recorded when earned under the franchise agreements.

LEASE EXPENSE — The Company records lease expense in accordance with Statement of Financial Accounting Standards (SFAS) No. 13—Accounting for Leases. As such, rent expense on leases is recorded on a straight-line basis over the term of the lease and the excess of expense over cash amounts paid are reflected as "deferred rent" in the accompanying Consolidated Balance Sheets.

STORE OPENING COSTS — Costs incurred in connection with start-up and promotion of new store openings are expensed as incurred.

INCOME TAXES — The Company accounts for income taxes in accordance with SFAS No. 109—Accounting for Income Taxes. Under SFAS 109, the liability method is used in accounting for income taxes. Deferred tax liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using tax rates and laws that are expected to be in effect when the differences are scheduled to reverse.

EARNINGS PER SHARE — During 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 128, "Earnings Per Share," which establishes new standards for computing and presenting earnings per share. The Company has adopted SFAS No. 128 and restated earnings per share data presented to reflect the new standard. SFAS No. 128 requires presentation of basic earnings per share and diluted earnings per share. The weighted average shares used to calculate basic and diluted earnings per share in accordance with SFAS No. 128 are as follows:

	1996	1997	1998
Weighted average shares outstanding for basic EPS	6,790	6,791	6,791
Diluted EPS:			
Dilutive effect of common stock equivalents	34	73	185
Weighted average shares outstanding for diluted EPS	6,824	6,864	6,976

Weighted average shares outstanding for calculating dilutive EPS include basic shares outstanding, plus shares issuable upon the exercise of stock options, using the treasury stock method.

NEW ACCOUNTING STANDARDS — In June, 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in financial statements. SFAS No. 130 is effective for fiscal years beginning after December 15, 1997. There was no impact of the adoption of SFAS No. 130 on the Company's financial statements.

Effective December 31, 1998, the Company adopted Statement of Financial Accounting Standards No. 131 ("SFAS 131"), "Disclosures about Segments of an Enterprise and Related Information." This standard requires that a public business enterprise report financial and descriptive information about its reportable operating segments. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. See Note 13 for disclosures on segment reporting.

In February 1998, the FASB issued SFAS No. 132, "Employer's Disclosures about Pensions and Other Postretirement Benefits." SFAS No. 132 revises employers' disclosures about pension and other postretirement benefit plans. SFAS No. 132 is effective for fiscal years beginning after December 15, 1997. See Note 8 for disclosures of pension and other postretirement benefits.

2. DISCONTINUED OPERATIONS:

In January, 1998 (fiscal 1997), the Company formalized a plan to dispose of its manufacturing operations. Accordingly, the consolidated financial statements have been restated to reflect the disposition of the manufacturing operations as discontinued operations. The revenues, costs and expenses, assets and liabilities, and cash flows of the manufacturing operations have been excluded from the respective captions in the Consolidated Statements of Income, Consolidated Balance Sheets and Consolidated Statements of Cash Flows and the related footnotes included herein.

In April, 1998, the Company entered into an agreement which included the disposition of the Company's manufacturing operations. Based upon the agreement, an estimated loss on disposal of $2,479,000 was reported net of an income tax benefit of $967,000, for an after-tax loss of $1,512,000 for fiscal 1997. In addition, losses from operations have been reflected for each year presented.

Summarized financial information for the discontinued operations is as follows (in thousands):

	FEB. 1, 1997	JAN. 31, 1998	**JAN. 30, 1999**
Loss before income taxes	$(708)	$ (374)	**$ (84)**
Net loss	$(432)	$ (266)	**$ (51)**
Current assets		$3,839	**$1,159**
Less current liabilities		4,502	**1,926**
Net current liabilities		$ (663)	**$ (767)**
Noncurrent assets		$1,028	**$ 241**
Noncurrent liabilities		245	**241**
Net noncurrent assets		$ 783	**$ —**

Revenues of the manufacturing operations primarily represent intercompany sales which have been eliminated in consolidation other than external sales of $1,867,000, $0 and $0 for the years ended February 1, 1997, January 31, 1998 and January 30, 1999, respectively.

Net current and noncurrent assets/liabilities of discontinued operations noted above include receivables, inventories, plant and equipment, pension termination and other transaction costs associated with the discontinued manufacturing operations.

3. INVENTORIES:

Inventories at January 31, 1998 and January 30, 1999, consist of the following (in thousands):

	JAN. 31, 1998	**JAN. 30, 1999**
Finished goods	$33,120	**$39,650**
Raw materials	6,994	**5,178**
Total	$40,114	**$44,828**

4. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment at January 31, 1998 and January 30, 1999, consists of the following (in thousands):

	JAN. 31, 1998	**JAN. 30, 1999**
Land	$ 475	**$ 475**
Buildings and improvements	29,318	**32,059**
Equipment, furniture and fixtures	17,132	**19,245**
	46,925	**51,779**
Less: Accumulated depreciation and amortization	(24,818)	**(27,232)**
Property, plant and equipment, net	$ 22,107	**$ 24,547**

5. ACCRUED EXPENSES:

Accrued expenses at January 31, 1998 and January 30, 1999, consists of the following (in thousands):

	JAN. 31, 1998	**JAN. 30, 1999**
Accrued compensation and benefits	$3,581	**$ 5,007**
Accrued advertising	1,776	**1,216**
Gift certificate payable	1,184	**1,899**
Other accrued expenses	3,233	**4,382**
Total	$9,774	**$12,504**

Other accrued expenses consist primarily of liabilities related to interest, sales taxes, property taxes, customer deposits, and percentage rent.

6. LONG-TERM DEBT:

Long-term debt at January 31, 1998 and January 30, 1999, consists of the following (in thousands):

	JAN. 31, 1998	**JAN. 30, 1999**
Bank credit agreement- Borrowings under long-term revolving loan agreement, including term portion	$12,096	**$8,316**
Notes related to leasehold improvements, interest at 2% plus prime, 9.4%, 9.9% and 11.0%, respectively, payable in monthly installments through February 1, 2003	824	**828**
Notes related to building improvements, interest at 12% payable in monthly installments through June 10, 2000	18	**11**
Mortgage payable, interest at 3%, payable in monthly installments through September 1, 1999; secured by related land and building	61	**22**
Total debt	12,999	**9,177**
Less: Current maturities	1,448	**1,111**
Long-term debt	$11,551	**$8,066**

BANK CREDIT AGREEMENT — The Company maintains a bank credit agreement (the "Credit Agreement"), which provides for a revolving loan whose limit is determined by a formula based on the Company's inventories, accounts receivable and real estate and equipment values. In September, 1997, the Company extended the Credit Agreement to April, 2001. The amended Credit Agreement changed the maximum borrowing under the facility to approximately $43,000,000 including a new term loan facility of $4,000,000 payable in monthly installments based on a five-year amortization with any outstanding balance due in April, 2001. The Credit Agreement also includes a) financial covenants concerning net worth, EBITDA coverage and working capital, among others, b) limitations on capital expenditures and additional indebtedness and c) a restriction on the payment of dividends. The Company is in compliance with all loan covenants. Interest rates under the amended agreement range from prime to prime plus 2.0% or LIBOR plus 2.0% to LIBOR plus 4.0%, depending upon financial performance. The amended agreement also includes an early termination fee and provisions for a seasonal over-advance.

As of January 31, 1998 and January 30, 1999, the Company's availability in excess of outstanding borrowings under the formula was $24,019,000 and $28,732,000, respectively. Substantially all assets of the Company are collateralized under the Credit Agreement.

During the years ended January 31, 1998 and January 30, 1999, borrowings under the Credit Agreement bore interest ranging from prime to prime plus .75% or LIBOR plus 2.0% to LIBOR plus 2.75%. Amounts outstanding under the Credit Agreement as of January 30, 1999, bear interest at rates ranging from 7.75% to 8.5% which may vary in the future depending upon prime and LIBOR rate fluctuations.

The average daily outstanding balance under the Credit Agreement for the fiscal years ended January 31, 1998 and January 30, 1999 were $19,506,000 and $12,474,000, respectively. The highest month end outstanding balance under the Credit Agreement for the fiscal years ended January 31, 1998 and January 30, 1999 were $27,433,000 and $18,657,000, respectively. In addition to borrowings under the Credit Agreement, the Company has issued a letter of credit of $400,000 at January 30, 1999, to secure the payment of rent.

The aggregate maturities of the Company's long-term debt as of January 30, 1999, are as follows: year ending 2000–$1,111,000; 2001–$994,000; 2002–$6,891,000 and 2003–$181,000.

7. COMMITMENTS AND CONTINGENCIES:

LITIGATION — Lawsuits and claims are filed from time to time against the Company in its ordinary course of business. Management, after reviewing developments to date with legal counsel, is of the opinion that the outcome of such matters will not have a material adverse effect on the net assets of the Company or the accompanying consolidated financial statements taken as a whole.

EMPLOYMENT AGREEMENTS — The Company has employment agreements with certain of its executives expiring in 2000, aggregating base compensation of $1,984,000 (not including annual adjustments) over the term. These executives would also be entitled to severance of approximately $2,837,000 (not including annual adjustments) if terminated without cause or if the executive left the Company for cause (as defined). The contracts also provide for additional incentive payments subject to performance standards. In addition, other employees are eligible for incentive payments based on performance. The Company expensed approximately $925,000, $1,393,000 and $1,885,000 in incentive payments in fiscal years 1996, 1997 and 1998, respectively.

LEASE OBLIGATIONS — The Company has numerous noncancelable operating leases for retail stores, certain office space and equipment. Certain facility leases provide for annual base minimum rentals plus contingent rentals based on sales. Renewal options are available under the majority of the leases.

Future minimum lease payments under noncancelable operating leases at January 30, 1999, are as follows (in thousands):

YEAR ENDING	AMOUNT
2000	$12,803
2001	11,529
2002	10,729
2003	10,036
2004	9,519
2005 and thereafter	27,410
Total	$82,026

The minimum rentals above do not include additional payments for percentage rent, insurance, property taxes and maintenance costs that may be due as provided for in the leases. Many of the noncancelable operating leases include scheduled rent increases.

Total rental expense for operating leases, including contingent rentals and net of sublease payments received, was $10,224,000, $11,364,000 and $12,839,000 for the years ended February 1, 1997, January 31, 1998 and January 30, 1999, respectively. Minimum rentals were $9,986,000, $11,049,000 and $12,435,000, respectively. Contingent rentals, which are based on a percentage of sales, approximated $395,000, $389,000 and $423,000, respectively. Additionally, sublease payments received approximated $157,000, $74,000 and $19,000, respectively.

INVENTORIES — The Company ordinarily commits to purchases of inventory at least one to two seasons in advance. The Company has committed to a substantial portion of its purchases for fiscal 1999 and has also committed to approximately 15% to 20% of its purchases for fiscal 2000 and 2001.

OTHER — During fiscal 1997, the Company signed a five-year agreement with David Leadbetter, a golf professional, to produce golf and other apparel under his name. Payments are based on sales volumes. The minimum annual commitment under this agreement is $150,000.

8. BENEFIT PLANS:

MULTI-EMPLOYER PENSION PLAN — Through the year ended January 29, 1994, the Company's employees, covered by a collective bargaining agreement, participated in plans with pension and post-retirement benefits administered by the national and local Union of Needletrades Industrial & Textile Employees. The Company made contributions to the plans in accordance with the collective bargaining agreement.

During the year ended January 29, 1994, the Company's Board of Directors and management decided to terminate the Company's participation in the multi-employer pension plan at a cost of $3.3 million which was recorded in fiscal 1993. The related liability was repaid in installments over four years through October, 1998.

DEFINED BENEFIT PENSION & POST-RETIREMENT PLANS — In connection with the above termination, the Company adopted a new noncontributory defined benefit pension plan and a new post-retirement benefit plan to cover the above-mentioned union employees with equivalent benefits to the multi-employer plan. The Company's contributions are intended to provide for both benefits attributed to service to date and for benefits expected to be earned in the future. The annual contributions are not less than the minimum funding standards set forth in the Employee Retirement Income Security Act of 1974, as amended. The plan provides for eligible employees to receive benefits based principally on years of service with the Company. The Company does not pre-fund the benefits from the post-retirement benefit plan.

In accordance with SFAS No. 106, "Employers' Accounting for Post-Retirement Benefits Other than Pensions", the Company records the expected cost of these benefits as expense during the years that employees render service. The Company has adopted the standards on a prospective basis as permitted. As such, the Company amortizes the related transition liability over 20 years.

The following table sets forth the plan's funded status as of December 31, 1997 and 1998, the date of the latest actuarial valuations (in thousands):

	PENSION BENEFITS		OTHER POST-RETIREMENT BENEFITS	
	1998	1997	1998	1997
Change in benefit obligation:				
Benefit obligation at beginning of year	$177	$ 209	$ 300	$ 259
Service cost	24	28	9	22
Interest cost	10	13	10	19
Actuarial gain	(44)	(41)	32	—
Benefits paid	(11)	(32)	—	—
Benefit obligation at end of year	$156	$ 177	$ 351	$ 300
Change in plan assets:				
Fair value of plan assets at beginning of year	$186	$ 141	$ —	$ —
Actual return on plan assets	19	48	—	—
Employer contribution	12	29	—	—
Benefits paid	(11)	(32)	—	—
Fair value of plan assets at end of year	$206	$ 186	$ —	$ —
Funded status	$ 50	$ 8	$(351)	$(300)
Unrecognized net actuarial loss (gain)	(19)	32	(93)	(56)
Unrecognized initial net liability at transition	48	82	143	178
Prepaid (accrued) benefit cost	$ 79	$ 122	$(301)	$(178)
Discount rate	7.25%	7.75%	7.25%	7.75%
Expected return on plan assets	8.00%	8.00%	—	—
Components of net periodic benefit cost:				
Service cost	$ 24	$ 28	$ 22	$ 22
Interest cost	10	13	21	19
Amortization of net liability at transition	5	7	10	11
Expected return on plan assets	(11)	(14)	—	—
Recognized net actuarial (gain)	(1)	—	(10)	(3)
Net periodic benefit cost	$ 27	$ 34	$ 43	$ 49

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in assumed health care cost trend rates would have less than a $12,000 effect on total service and interest costs and post-retirement benefit obligation.

PROFIT SHARING PLAN — The Company maintains a defined contribution 401(k) profit sharing plan for its employees. All non-union and certain union employees are eligible to participate after one year of service. Employee contributions to the plan are limited based on applicable sections of the Internal Revenue Code. The Company is required to match a portion of employee contributions to the plan and may make additional contributions at the discretion of the directors of the Company. Contributions by the Company to the plan were approximately $223,000, $238,000 and $321,000 for the years ended February 1, 1997, January 31, 1998 and January 30, 1999, respectively. The Company also established a non-qualified, unfunded deferred Compensation plan effective October 1, 1998. This plan is designed to provide a select group of management and highly-compensated employees with retirement benefits. All assets of the plan are fully subject to the Company's creditors. The Company's matching contributions are equal to $.25 for each $1.00 the participant contributes. Contributions by the Company for the year ended January 30, 1999 were $10,000.

9. INCOME TAXES:

At January 30, 1999, the Company had approximately $6.0 million of tax net operating loss carryforwards (NOLs) which expire in 2010. SFAS No. 109 requires that the tax benefit of such NOLs be recorded as an asset to the extent that management assesses the utilization of such NOLs to be "more likely than not". Realization of the future tax benefits is dependent on the Company's ability to generate taxable income within the carryforward period. Future levels of operating income are dependent upon general economic conditions, including interest rates and general levels of economic activity, competitive pressures on sales and margins and other factors beyond the Company's control. Therefore, no assurance can be given that sufficient taxable income will be generated for full utilization of the NOLs.

As of the beginning of the fiscal year 1998, the Company had a deferred tax asset of $4.6 million related to NOLs and an offsetting valuation allowance of approximately $1.4 million. Management has determined, based on the Company's recent history of earnings, that future earnings of the Company will more likely than not be sufficient to utilize the NOLs prior to their expiration. Accordingly, during the third quarter of 1998, the Company eliminated the $1.4 million valuation reserve.

During the year ended January 29, 1994, the Company filed for a prior year net operating loss carryback to a year in which the Company was included in the consolidated federal income tax return of its pre-1986 parent and the Company recorded a deferred tax asset of $3.0 million in anticipation of collecting the refund. In March, 1996, the refund plus interest was collected. Included in the consolidated statement of income for the year ended February 1, 1997 is $.6 million of interest income related to the refund.

The provision for income taxes for continuing operations was comprised of the following (in thousands):

	YEARS ENDED		
	FEB. 1, 1997	JAN. 31, 1998	**JAN. 30, 1999**
Federal:			
Current	$ (41)	$ (110)	**$ (712)**
Deferred	(346)	(1,289)	**(651)**
State:			
Current	—	—	**—**
Deferred	(50)	(191)	**(176)**
Provision for income taxes	$(437)	$(1,590)	**$(1,539)**

The differences between the recorded income tax provision and the "expected" tax provision based on the statutory federal income tax rate is as follows (in thousands):

	YEARS ENDED		
	FEB. 1, 1997	JAN. 31, 1998	**JAN. 30, 1999**
Computed federal tax provision at statutory rates	$(381)	$(1,383)	**$(2,532)**
State income taxes, net of federal income tax effect	(60)	(203)	**(372)**
Valuation allowance	—	—	**1,365**
Other, net	4	(4)	**—**
Provision for income taxes	$(437)	$(1,590)	**$(1,539)**

Temporary differences between the financial reporting carrying amounts and tax basis of assets and liabilities give rise to deferred income taxes. Total deferred tax assets and deferred tax liabilities stated by sources of the differences between financial accounting and tax basis of the Company's assets and liabilities which give rise to the deferred tax assets and deferred tax liabilities are as follows (in thousands):

	JAN. 31, 1998	**JAN. 30, 1999**
Deferred Tax Assets:		
Long-term pension liability	$ 171	**$ —**
Inventories	646	**717**
Property, plant and equipment	151	**844**
Accrued liabilities	2,175	**2,514**
Operating loss carryforwards and carrybacks	4,559	**1,525**
Valuation allowance	(1,365)	**—**
	6,337	**5,600**
Deferred Tax Liabilities:		
Prepaid expenses and other current assets	(627)	**(717)**
Net Deferred Tax Asset	$5,710	**$4,883**

10. INCENTIVE OPTION PLAN:

Effective January 28, 1994, the Company adopted an Incentive Plan (the Plan). The Plan generally provides for the granting of stock, stock options, stock appreciation rights, restricted shares or any combination of the foregoing to the eligible participants, as defined. Approximately 953,000 shares of Common Stock have been reserved for issuance under the Plan. The exercise price of an option granted under the Plan may not be less than the fair market value of the underlying shares of Common Stock on the date of grant and employee options expire at the earlier of termination of employment or ten years from the date of grant. All options covered under the Plan vest in full upon a change of control of the Company.

As of January 30, 1999, options outstanding for 883,097 shares had been granted under the plan at exercise prices ranging from $1.63 to $7.38 per share and options for 427,199 shares were exercisable at January 30, 1999. In addition, there are 209,415 options outstanding at $9.17 per share which were issued in fiscal 1993 under employment agreements.

The Company has computed for pro forma disclosure purposes the value of all compensatory options granted during fiscal year 1996, 1997 and 1998, using the Black-Scholes option pricing model as prescribed by SFAS No. 123. Assumptions used for the pricing model include 4.5% to 7.9% for the risk-free interest rate, expected stock option lives of 2-10 years, expected dividend yield of 0% each year and expected volatility of 69% each year. Options were assumed to be exercised upon vesting for the purposes of this valuation. Adjustments are made for options forfeited prior to vesting. Had compensation costs for compensatory options been determined consistent with SFAS No. 123, the Company's pro forma net income would have been net income of $223,000 in 1996, net income of $542,000 in 1997 and net income of $5,680,455 in 1998. Pro forma basic earnings per share would have been $.03 in 1996, $.08 in 1997 and $.84 in 1998. Pro forma diluted earnings per share would have been $.03 in 1996, $.08 in 1997 and $.81 in 1998.

Transactions with respect to the plans were as follows (shares in thousands):

	JANUARY 30, 1999		JANUARY 31, 1998		FEBRUARY 1, 1997	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	1,081	$6.45	1,036	$6.57	771	$7.63
Granted	36	$6.57	189	$6.10	266	$3.48
Exercised	(1)	$4.00	—	$ —	(1)	$3.25
Canceled	(23)	$6.65	(144)	$(688)	—	$ —
Outstanding at end of year	1,093	$6.48	1,081	$6.45	1,036	$6.57
Exercisable at end of year	637	$7.14	475	$7.71	409	$7.34

The following table summarizes information about stock options outstanding at January 30, 1999 (shares in thousands):

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING JAN. 30, 1999	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT JAN. 30, 1999	WEIGHTED AVERAGE EXERCISE PRICE
$1.63 – $4.00	281	7.28	3.45	115	2.98
$4.01 – $7.38	603	6.37	6.95	313	7.30
$7.39 – $9.17	209	5.02	9.16	209	9.16
	1,093	6.34	6.48	637	7.14

The weighted average fair value of options granted for the years ended February 1, 1997, January 31, 1998 and January 30, 1999, was $1.78, $4.80 and $5.06, respectively.

11. RIGHTS OFFERING:

In September, 1997, the Company adopted a Stockholder Rights Plan in which preferred stock purchase rights were distributed as a dividend at the rate of one Right for each share of Jos. A. Bank's outstanding Common Stock held as of the close of business on September 30, 1997. Each Right will entitle stockholders to buy one one-hundredth of a share of the newly designated Series A Preferred Stock of Jos. A. Bank at an exercise price of $40. The Rights will be exercisable only if a person or group acquires beneficial ownership of 20 percent or more of the Company's outstanding Common Stock (without the approval of the board of directors) or commences a tender or exchange offer upon consummation of which a person or group would beneficially own 20 percent or more of the Company's outstanding Common Stock.

If any person becomes the beneficial owner of 20 percent or more of the Company's outstanding common stock (without the approval of the board of directors), or if a holder of 20 percent or more of the Company's Common Stock engaged in certain self-dealing transactions or a merger transaction in which the Company is the surviving corporation and its Common Stock remains outstanding, then each Right not owned by such person or certain related parties will entitle its holder to purchase, at the Right's then-current exercise price, units of the Company's Series A Preferred Stock (or, in certain circumstances, Common Stock, cash, property or other securities of the Company) having a market value equal to twice the then-current exercise price of the Rights. In addition, if the Company is involved in a merger or other business combination transaction with another person after which its Common Stock does not remain outstanding, or sells 50 percent or more of its assets or earning power to another person, each Right will entitle its holder to purchase, at the Right's then-current exercise price, shares of common stock of such other person having a market value equal to twice the then-current exercise price of the Rights.

The Company will generally be entitled to redeem the Rights at $.01 per Right at any time until the tenth business day following the public announcement that a person or group has acquired 20 percent or more of the Company's Common Stock.

12. RELATED PARTY TRANSACTIONS:

The Company has an executive who is the Chairman of the Board of a consulting group. The Company paid the group approximately $31,000, $0 and $0 for the years ended February 1, 1997, January 31, 1998 and January 30, 1999, respectively, for professional services rendered.

The Company has also made loans of $314,000 to three of its officers. The balance as of January 30, 1999 included in other noncurrent assets in the accompanying consolidated balance sheet was approximately $205,000.

13. SEGMENT REPORTING (UNAUDITED):

The Company has two reportable segments: full line stores and catalog direct marketing. While each segment offers a similar mix of men's clothing to the retail customer, the full line stores also provide alterations.

The accounting policies of the segments are the same as those described in the summary of significant policies. The Company evaluates performance of the segments based on "four wall" contribution which excludes any allocation of "management company" costs, distribution center costs (except order fulfillment costs which are allocated to catalog), interest and income taxes.

The Company's segments are strategic business units that offer similar products to the retail customer by two distinctively different methods. In full line stores the typical customer travels to the store and purchases men's clothing and or alterations and takes their purchases with them. The catalog customer receives a catalog in his or her home or office and either calls, mails or faxes an order to the Company. The merchandise is then shipped to the customer. The detail segment data is presented in the following table (in thousands):

FISCAL 1998 *(in thousands)*	FULL LINE STORES	CATALOG DIRECT MARKETING	OTHER	TOTAL
Net sales	$159,283	$20,354	$7,526(a)	$187,163
Depreciation and amortization	2,817	15	1,273	4,105
Operating income (b)	26,057	2,746	(19,593)	9,210
Identifiable assets (c)	47,562	9,192	25,761	82,515
Capital expenditures (d)	4,811	14	1,494	6,319

FISCAL 1997 *(in thousands)*	FULL LINE STORES	CATALOG DIRECT MARKETING	OTHER	TOTAL
Net sales	$143,564	$19,774	$8,836(a)	$172,174
Depreciation and amortization	2,499	26	1,056	3,581
Operating income (b)	21,753	3,311	(18,496)	6,568
Identifiable assets (c)	39,477	8,537	29,130	77,144
Capital expenditures (d)	3,939	2	115	4,056

FISCAL 1999 *(in thousands)*	FULL LINE STORES	CATALOG DIRECT MARKETING	OTHER	TOTAL
Net sales	$127,836	$16,863	$8,492(a)	$153,191
Depreciation and amortization	2,326	28	1,291	3,645
Operating income (b)	16,686	2,008	(15,628)	3,066
Capital expenditures (d)	1,908	6	223	2,137

a) Revenue from segments below the quantitative thresholds are attributable primarily to four operating segments of the Company. Those segments include outlet stores, franchise, regional tailor shops and showroom stores. None of these segments has ever met any of the quantitative thresholds for determining reportable segments.

b) Operating income represents profit before allocations of overhead from corporate office and the distribution center, interest and income taxes.

c) Identifiable assets include cash, accounts receivable, inventories, prepaid expenses and fixed assets residing in or related to the reportable segment. Assets included in Other are primarily fixed assets associated with the corporate office and distribution center, deferred tax assets, and inventory which has not been assigned to one of the reportable segments.

d) Capital Expenditures include purchases of property, plant and equipment made for the reportable segment.

14. QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
	in thousands, except per share amounts				
FISCAL 1998					
Net sales	$43,383	$41,947	$44,584	$57,249	$187,163
Gross profit	21,232	20,190	22,316	27,144	90,882
Operating income	1,794	1,415	1,966	4,035	9,210
Income from continuing operations	828	597	2,238	2,246	5,909
Net Income	$ 777	$ 597	$ 2,238	$ 2,246	$ 5,858
Income from continuing operations per share (diluted)	$ 0.12	$ 0.09	$ 0.32	$ 0.32	$ 0.85
Net income per share (diluted)	$ 0.11	$ 0.09	$ 0.32	$ 0.32	$ 0.84
FISCAL 1997					
Net sales	$38,655	$39,530	$41,536	$52,453	$172,174
Gross profit	18,862	18,158	20,027	23,126	80,173
Operating income	1,315	1,108	1,513	2,632	6,568
Income from continuing operations	437	251	457	1,332	2,477
Net Income (Loss)	$ 382	$ 196	$ 402	$ (281)	$ 699
Income from continuing operations per share (diluted)	$ 0.06	$ 0.04	$ 0.07	$ 0.19	$ 0.36
Net income (loss) per share (diluted)	$ 0.06	$ 0.03	$ 0.06	$ (0.04)	$ 0.10

BOARD OF DIRECTORS:

Robert B. Bank -	President, Robert B. Bank Advisory Services
Timothy F. Finley -	Chairman and Chief Executive Officer, Jos. A. Bank Clothiers, Inc.
Andrew A. Giordano -	Principal, The Giordano Group Limited
Gary S. Gladstein -	Managing Director, Soros Fund Management
Peter V. Handal -	President, COWI International Group
David A. Preiser -	Managing Director, Houlihan, Lokey, Howard & Zukin, Inc.
Robert N. Wildrick -	Former Chairman and Chief Executive Officer, Venture Stores, Inc.

OFFICERS:

Timothy F. Finley -	Chairman and Chief Executive Officer
Frank Tworecke -	President and Chief Operating Officer
David E. Ullman -	Executive Vice President, Chief Financial & Administration Officer
J.F. Timothy Carroll-	Senior Vice President, Corporate Sales
Gary W. Cejka -	Senior Vice President, Store Operations
Charles D. Frazer -	Senior Vice President, General Counsel and Secretary
Thomas E. Polley -	Treasurer

CORPORATE DATA:

The Office of the Company is Located at:
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Hampstead, Maryland 21074
(410) 239-2700
Fax: (410) 239-5700

COMMON STOCK LISTING:

NASDAQ National Market System
Symbol : JOSB

REGISTRAR AND TRANSFER AGENT:

Continental Stock Transfer & Trust Company
#2 Broadway, 19th Floor
New York, New York 10004
(212) 509-4000

INDEPENDENT AUDITORS:

Arthur Andersen LLP
120 E. Baltimore Street, 20th Floor
Baltimore, Maryland 21202
(410) 727-5800

LEGAL COUNSEL:

Kronish, Lieb, Weiner & Hellman LLP
1114 Avenue of the Americas
New York, New York 10036-7798
(212) 479-6170

SHAREHOLDER INFORMATION:

The Company will supply to any owner of Common Stock, upon written request to the Company, at the address set forth above, Attention: Investor Relations, copies of the Annual Report on Form 10-K for the year ended January 30, 1999, including all exhibits and schedules annexed thereto, which has been filed with the Securities and Exchange Commission.

	Fiscal 1997		Fiscal 1998	
	High	Low	High	Low
1st Quarter	$ 4.25	$ 3.50	$ 8.38	$ 5.75
2nd Quarter	4.00	2.94	9.13	6.50
3rd Quarter	7.50	3.25	8.00	5.88
4th Quarter	7.00	5.06	8.00	5.88

REPORT OF MANAGEMENT:

Management is responsible for the preparation, integrity and objectivity of the reported financial information. The financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis and include amounts based on estimates and judgements from currently available information and management's view of current conditions and circumstances. The services of specialists within and outside Jos. A. Bank Clothiers, Inc. have been utilized in making these estimates and judgements.

Management has established and maintains a system of accounting and internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting records provide a reliable basis for the preparation of financial statements, and that such financial statements are not materially misstated. The system of controls includes a division of responsibilities and formal policies and procedures. Management continually reviews, modifies and improves its systems of accounting and internal controls in response to changes in business conditions and operations and recommendations from the independent public accountants.

THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS:

The Board has an Audit Committee, a Compensation Committee and an Executive Committee (each, a "Committee"). The functions of the Audit Committee include recommending to the Board the retention of independent public accountants, reviewing the scope of the annual audit undertaken by the Company's independent public accountants and the progress and results of their work, and reviewing the financial statements of the Company and its internal accounting and auditing procedures. The Audit Committee is comprised of Messers Gladstein (Chairman), Preiser and Wildrick. The Audit Committee met three times during Fiscal 1998. During each of the meetings, the Audit Committee had a chance to discuss matters with the Company's independent public accountants outside the presence of management.

The members of the Audit Committee are Gary S. Gladstein (Chairman), David A. Preiser and Robert N. Wildrick.

LOGOS AND TRADEMARKS All garments with corporate logos or registered trademarks are shown only to illustrate Jos. A. Bank's logo reproduction capabilities. Merchandise bearing logos can be purchased only by the organization to which the logo or trademark belongs and only through authorized Jos. A. Bank's distributors.

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