



Dillard's, Inc. Reports Fourth Quarter and Fiscal Year Results

March 6, 2003 - Little Rock, Arkansas – Dillard's, Inc. (DDS-NYSE) (the "Company" or "Dillard's") today announced operating results for its fourth quarter and fiscal year ended February 1, 2003. The Company will host a conference call to discuss these results today at 11:00 a.m. Eastern. The live call is available to all interested parties on the Internet at the Investor Relations site at http://www.dillards.com/info/company_index.jsp. A replay of the call will be available at that same location beginning at approximately 2:00 p.m. Eastern.

Income before extraordinary gain for the 13 weeks ended February 1, 2003 was \$72.3 million (\$0.85 per fully diluted share) compared to \$100.7 million (\$1.20 per fully diluted share) for the 13 weeks ended February 2, 2002. Income before extraordinary loss/gain and cumulative effect of an accounting change for the 52 weeks ended February 1, 2003 was \$136.3 million (\$1.60 per fully diluted share) compared to \$65.8 million (\$0.78 per fully diluted share) for the 52 weeks ended February 2, 2002.

Sales

Sales for the 13 weeks ended February 1, 2003 were \$2.4 billion compared to sales for the 13-week period ended February 2, 2002 of \$2.5 billion, a decrease of 6%. Sales in comparable stores for the 13-week period decreased 5%. Sales were pressured by a notably weak retail sales environment during the quarter.

Sales for the 52 weeks ended February 1, 2003 were \$7.9 billion compared to sales for the 52 weeks ended February 2, 2002 of \$8.2 billion. Sales decreased 3% for the 52-week period on both a total and comparable store basis.

Net Income

Net Income for the thirteen weeks ended February 1, 2003 was \$72.3 million (\$0.85 per fully diluted share) compared to \$101.5 million (\$1.21 per fully diluted share) for the thirteen weeks ended February 2, 2002.

Dillard's reported a net loss for the 52 weeks ended February 1, 2003 of \$398.4 million (\$4.67 per fully diluted share) compared to net income of \$71.8 million (\$0.85 per fully diluted share) for the 52 weeks ended February 2, 2002.

Included in total revenues for the thirteen weeks and 52 weeks ended February 1, 2003 is a pretax gain of \$64.3 million (\$41.1 million after tax or \$.48 per fully diluted share) pertaining to the Company's sale of its interest in Flatiron Crossing. As previously announced, Dillard's sold its 50% interest in the Broomfield, Colorado shopping center for \$68.5 million during the fourth quarter of 2002.

The Company recorded pretax asset impairment and store closing charges of \$53.1 million (\$34.0 million after-tax or \$.40 per fully diluted share) for the thirteen weeks ended February 1, 2003. For the 52-week period ended February 1, 2003, the Company recorded pretax asset impairment and store closing charges of \$52.2 million (\$33.4 million after-tax or \$.39 per fully diluted share). The charge for the 52-week period includes a write-down to fair value for certain under-performing properties in the amount of \$55.8 million and exit costs to close four such properties in the amount of \$4.4 million partially offset by forgiveness of a lease obligation in the amount of \$8.0 million in connection with the sale of a closed owned store in Memphis, Tennessee. All four above-mentioned properties will be closed during the 2003 fiscal year.

During the 52 weeks ended February 1, 2003, the Company recorded an extraordinary loss on early extinguishment of debt, net of taxes, of \$4.4 million (\$.05 per fully diluted share). Included in net income for the 52 weeks ended February 2, 2002 is an extraordinary gain on early extinguishment of debt, net of taxes, of \$6.0 million (\$.07 per fully diluted share).

The Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets" effective February 3, 2002. SFAS No. 142 states that goodwill and intangible assets deemed to have indefinite lives are no longer subject to amortization but are to be tested for impairment at least annually. As required by the SFAS No. 142, the Company tested its goodwill for impairment using the two-step process prescribed in SFAS No. 142. This testing resulted in a non-cash goodwill impairment charge of \$530.3 million (\$6.22 per fully diluted share). In accordance with SFAS No. 142, this goodwill impairment was reflected by Dillard's as a cumulative effect of a change in accounting principle at February 3, 2002.

During the 13-week and 52-week periods ended February 2, 2002, the Company recorded goodwill amortization of approximately \$3.9 million (\$.04 per fully diluted share) and \$15.6 million (\$.18 per fully diluted share), respectively. As a result of the application of the non-amortization provisions of SFAS No.142, no amortization was recorded during the 13-week and

52-week periods ended February 1, 2003, respectively.

Gross Margin/Inventory

Gross Margin for the thirteen weeks ended February 1, 2003 declined 140 basis points of sales. Management attributes the decline to its efforts to aggressively markdown merchandise due to heightened competitive pressures in a notably lackluster retail sales environment.

Gross Margin for the 52 weeks ended February 1, 2003 increased 110 basis points of sales. Management attributes the increase to the successful execution of continuing initiatives to enhance the Company's merchandise and improve its competitive position throughout the year, partially offset by the heightened competitive pressures experienced during the fourth quarter.

- Private Brand Progress - The Company continues to work diligently to build penetration and recognition of its private brand merchandise as a means to provide superior price and value choices to its customers. Dillard's management recognizes significant opportunities for increased control over its merchandise mix and better gross margin performance through expansion of its private brand program with the continuing goal of replacing under-performing branded vendors with Dillard's private brands.

Penetrations of private brand merchandise as a percent of sales for 52-week periods ended February 1, 2003 and February 2, 2002 are as follows:

	52 Weeks Ended February 1, 2003	52 Weeks Ended February 2, 2002
In merchandise categories in which private brands are presented	21.6%	18.4%
Storewide (all categories)	18.2%	15.4%

Inventory in comparable stores at February 1, 2003 increased 2% comparing to inventory in comparable stores at February 2, 2002.

Advertising, Selling, Administrative and General Expenses

Advertising, selling, administrative and general ("S G and A") expenses were \$573.6 million for the 13-week period ended February 1, 2003 and \$571.4 million for the comparable period ended February 2, 2002. The Company's successful efforts to maintain control of most operating expense categories during the fourth quarter were offset by increases in bad debt expense and property taxes, which increased \$8.1 million and \$4.8 million, respectively.

S, G and A expenses for the 52-week period ended February 1, 2003 decreased \$27.4 million to \$2,164.0 million from \$2,191.4 million for the comparable period ended February 2, 2002. In late 2001, Dillard's announced the consolidation of a back-office payroll function. Significant savings in payroll as a result of this initiative, combined with savings in utilities and supplies during the 52-week period, were partially offset by an increase in bad debt expense, which increased \$23.8 million, which includes an increase in the allowance for doubtful accounts of \$12.5 million.

Debt/Interest Expense

As a result of Dillard's continued focus on decreasing debt levels and lower variable interest rates on the Company's receivable conduit, interest and debt expense for the 13 weeks ended February 1, 2003 declined to \$46.4 million from \$49.0 million for the 13 weeks ended February 2, 2002. Interest and debt expense for the 52-week period ended February 1, 2003 declined to \$183.0 million from \$201.7 million for the same prior year period.

During the 52 weeks ended February 1, 2003, the Company repurchased \$111.9 million of its outstanding unsecured notes prior to their maturity dates. Additionally, Dillard's retired the remaining \$143 million of its 6.31% Reset Put Securities due August 1, 2012 prior to their maturity dates. These transactions resulted in an extraordinary loss on early extinguishment of debt, net of taxes, of \$4.4 million (\$.05 per fully diluted share) for the 52-week period ended February 1, 2003.

The Company utilizes securitizations of its credit card receivable portfolio as a financing vehicle. The Company has historically accounted for these transactions as off-balance-sheet financing. However, in early May 2002, the Company amended its conduit financing agreement in a manner that prevented future transfers of accounts receivable from qualifying as a sale and

thus receiving off-balance-sheet treatment. As a result of this decision, the Company records all financing through this facility on the balance sheet at February 1, 2003 of which \$400 million is classified in long-term debt. Furthermore, as a result of this decision, the Company took a charge to its income statement of \$5.4 million related to the amortization of the beneficial interests recognized up front on the off-balance-sheet financing for the 52 weeks ended February 1, 2003. At February 2, 2002, the Company had \$300 million of off-balance-sheet financing associated with its securitizations.

Total debt on a comparable basis at February 1, 2003 decreased by \$193.0 million compared to February 2, 2002.

Store Openings/Closings – 2002

During the 52-week period ended February 1, 2003, Dillard's opened seven newly constructed stores. Three of these stores were replacement units. During the year, the Company closed nine stores under its existing plan to close under-performing locations as conditions permit.

At February 1, 2003, the Company operated 333 stores spanning 29 states – all operating under one name, Dillard's.

Store Openings – 2003

Scheduled store openings for the year ended January 31, 2004 are as follows:

Dillard's at:	City	Open Month	Sq. Feet
Great Northern Mall	Olmstead, Ohio	March	220,000
NorthPark Mall	Davenport, Iowa	July	126,000
Stony Point Fashion Park	Richmond, Virginia	September	200,000
Short Pump Town Center	Richmond, Virginia	September	200,000
Memorial City Mall**	Houston, Texas	October	250,000

**Replacement store.

Total planned construction for the year ended January 31, 2004 is approximately 800,000 square feet net of replaced square footage.

Supplemental Information

Additional information regarding sales for the quarter is provided:

Sales by Month

Sales performance by month for the fourth quarter and fiscal year occurred as follows:

	Total	Comparable
November	-8%	-7%
December	-5%	-4%
January	-6%	-5%
Quarter 4	-6%	-5%
Year	-3%	-3%

Sales by Category

Sales by category for the fourth quarter:

	13 Weeks Ended February 1, 2003	
	Total	Comparable
Cosmetics	-4%	-3%
Women's and Juniors' Clothing	-9%	-9%
Children's Clothing	-5%	-4%
Men's Clothing and Accessories	-8%	-7%
Shoes, Accessories and Lingerie	-2%	-1%
Home	-3%	-3%

Shoes, Accessories and Lingerie	-1%	-1%
Home	-4%	-4%

Sales by Region

Total sales performance by region:

	13 Weeks Ended February 1, 2003	52 Weeks Ended February 1, 2003
East	-3%	-2%
Central	-7%	-4%
West	-6%	0%
Total	-6%	-3%

Sales Mix

	13 Weeks Ended February 1, 2003	52 Weeks Ended February 1, 2003
Cosmetics	15.0%	13.9%
Women's and Juniors' Clothing	26.1%	31.0%
Children's Clothing	6.9%	7.0%
Men's Clothing and Accessories	20.0%	18.4%
Shoes, Accessories and Lingerie	20.8%	20.8%
Home	11.2%	8.9%

Estimates for 2003

The Company is updating the following estimates for certain income statement items for the fiscal year ended January 31, 2004 based upon current conditions. Actual results may differ significantly from these estimates as conditions and factors change – See “Forward Looking Information”.

	<u>In Millions</u>	
	<u>2003 Estimated</u>	<u>2002 Actual</u>
Depreciation and amortization	\$300	\$301
Rental expense	65	68
Interest and debt expense	170	183
Capital expenditures	250	233

Forward-Looking Information

Certain of the information presented in this press release that addresses future results or expectations is considered “forward-looking” information within the definition of Federal securities laws. It is important to note that Dillard's, Inc.'s actual results could differ materially from those projected in such forward-looking statements. Factors that could cause actual results to differ materially from those expressed or implied in such forward-looking statements include, among others, economic and weather conditions in the regions in which the Company's stores are located and their effect on the buying patterns of the Company's customers, potential disruption from terrorist activity, and the effect on ongoing consumer confidence, adequate and stable availability of materials and production facilities, potential disruption of international trade and supply chain efficiencies, customer response to the Company's merchandise, changes in consumer spending patterns and debt levels, trends in personal bankruptcies and the impact of competitive market factors. Additional information concerning factors that could cause actual results to differ materially from those in the forward-looking statements is contained from time to time in the Company's filings with the Securities and Exchange Commission, including but not limited to the Company's report on Form 10K for the year ended February 2, 2002. Copies of these filings may be obtained by contacting Dillard's, Inc. or the Securities and Exchange Commission. Filings with the Securities and Exchange Commission are also available via EDGAR on the Internet at www.sec.gov.

Dillard's, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Amounts in Millions, Except Per Share Data)

Thirteen-Week Period Ended

	February 1, 2003		February 2, 2002	
	Amount	% of Net Sales	Amount	% of Net Sales
	(Unaudited)		(Unaudited)	
Net sales	\$ 2,387.9	-	\$ 2,534.0	-
Total revenues	2,516.3	105.4 %	2,597.4	102.5 %
Cost of sales	1,638.9	68.6	1,703.4	67.2
Advertising, selling, administrative and general expenses	573.6	24.0	571.4	22.6
Depreciation and amortization	70.2	2.9	78.0	3.1
Rentals	23.0	1.0	25.6	1.0
Interest and debt expense	46.4	2.0	49.0	1.9
Asset impairment and store closing charges	53.1	2.2	1.8	0.1
Total costs and expenses	2,405.2		2,429.2	
Income before income taxes and extraordinary item	111.1	4.7	168.2	6.6
Income taxes	38.8		67.5	
Income before extraordinary item	72.3	3.0	100.7	4.0
Extraordinary gain on early extinguishment of debt, net of taxes	-	-	.8	-
Net income	\$ 72.3	3.0 %	\$ 101.5	4.0 %
Earnings per share-Basic and Diluted:				
Income before extraordinary item	\$ 0.85		\$ 1.20	
Extraordinary gain on early extinguishment of debt, net of taxes	-		.01	
Net income	\$ 0.85		\$ 1.21	
Weighted average shares-Basic:	84.7		83.7	
Weighted average shares-Diluted:	85.0		84.1	

The Company has reclassified \$2.4 million related to its receivable financing from other revenue to interest expense for the thirteen weeks ended February 2, 2002.

Dillard's, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Amounts in Millions, Except Per Share Data)

Fifty-Two Week Period Ended

	February 1, 2003		February 2, 2002	
	Amount	% of Net Sales	Amount	% of Net Sales
	(Unaudited)		(Unaudited)	
Net sales	\$ 7,911.0	-	\$ 8,154.9	-
Total revenues	8,233.9	104.1 %	8,399.7	103.0 %
Cost of sales	5,254.1	66.4	5,507.7	67.5
Advertising, selling, administrative and general expenses	2,164.0	27.3	2,191.4	26.9
Depreciation and amortization	301.4	3.8	310.8	3.8
Rentals	68.1	0.9	72.8	0.9
Interest and debt expense	183.0	2.3	201.7	2.5
Asset impairment and store closing charges	52.2	0.7	3.7	-
Total costs and expenses	8,022.8		8,288.1	
Income before income taxes	211.1	2.7	111.6	1.4
Income taxes	74.8		45.8	
Income before extraordinary item and accounting change	136.3	1.8	65.8	0.8
Extraordinary (loss) gain on early extinguishment of debt, net of taxes	(4.4)	(0.1)	6.0	0.1
Cumulative effect of accounting change	(530.3)	(6.7)	-	-
Net (loss) income	\$ (398.4)	(5.0) %	\$ 71.8	0.9 %
Basic earnings per share:				
Income before extraordinary item and accounting change	\$ 1.61		\$ 0.78	
Extraordinary (loss) gain on early extinguishment of debt, net of taxes	(0.05)		0.07	
Cumulative effect of accounting change	(6.27)		-	
Net (loss) income	\$ (4.71)		\$ 0.85	
Diluted earnings per share:				
Income before extraordinary item and accounting change	\$ 1.60		\$ 0.78	
Extraordinary (loss) gain on early extinguishment of debt, net of taxes	(0.05)		0.07	
Cumulative effect of accounting change	(6.22)		-	
Net (loss) income	\$ (4.67)		\$ 0.85	

Weighted average shares:

Basic	84.5	84.0
Diluted	<u>85.3</u>	<u>84.5</u>

The Company has reclassified \$1.4 million and \$11.3 million related to its receivable financing from other revenue to interest expense for the fifty-two weeks ended February 1, 2003 and February 2, 2002, respectively.

Dillard's, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Amounts in Millions)

	February 1, 2003	February 2, 2002
	(Unaudited)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 142.4	\$ 153.0
Trade accounts receivable	1,338.1	1,074.9
Merchandise inventories	1,594.3	1,561.9
Other current assets	55.5	24.7
Total current assets	<u>3,130.3</u>	<u>2,814.5</u>
Property and equipment, net	3,370.5	3,455.7
Goodwill	39.2	569.6
Other assets	136.0	234.8
Total Assets	<u>\$ 6,676.0</u>	<u>\$ 7,074.6</u>
Liabilities and Stockholders' Equity		
Current Liabilities:		
Trade accounts payable and accrued expenses	\$ 676.0	\$ 808.2
Current portion of long-term debt and capital leases	140.7	100.5
Federal and state income taxes	69.8	19.4
Total current liabilities	<u>886.5</u>	<u>928.1</u>
Long-term debt and capital leases	2,211.6	2,145.0
Other liabilities	137.1	157.5
Deferred income taxes	645.0	644.0
Guaranteed preferred beneficial interests in the Company's subordinated debentures	531.6	531.6
Stockholders' equity	<u>2,264.2</u>	<u>2,668.4</u>
Total Liabilities and Stockholders' Equity	<u>\$ 6,676.0</u>	<u>\$ 7,074.6</u>

Other Financial Information
(Amounts in Millions)
(Unaudited)

	February 1, 2003	February 2, 2002
Squarefootage	<u>56.7</u>	<u>56.8</u>
Capital expenditures:		
13 weeks ended	\$ 39.8	\$ 68.7
52 weeks ended	233.3	270.6