



## Dillard's, Inc. Reports Second Quarter Results

August 28, 2007 - Little Rock, Arkansas – Dillard's, Inc. (DDS-NYSE) (the "Company" or "Dillard's") announced operating results for the 13 weeks ended August 4, 2007. This release contains certain forward-looking statements. Please refer to the Company's cautionary statement regarding forward-looking information included below under "Forward-Looking Information".

Net loss for the 13 weeks ended August 4, 2007 was \$25.2 million (\$0.31 per diluted share) compared to net income of \$15.7 million (\$0.20 per diluted share) for the 13 weeks ended July 29, 2006. Dillard's attributes the disappointing performance primarily to a gross margin decline (190 basis points of sales) as lackluster sales during the quarter necessitated higher markdown activity in order to maintain acceptable inventory levels. Inventory in comparable stores at August 4, 2007 declined 4% compared to the prior year second quarter.

Included in net income for the prior year second quarter are the following items:

- A pretax gain on the sale of the Company's interest in a mall joint venture of \$13.5 million (\$8.5 million after-tax or \$0.11 per diluted share).
- Settlement proceeds of \$6.5 million (\$4.0 million after-tax or \$0.05 per diluted share) received from the Visa Check/Mastermoney Antitrust litigation.
- A pretax charge of \$21.7 million (\$13.6 million after-tax or \$0.17 per diluted share) for a memorandum of understanding reached in a litigation case.
- Recognition of an income tax benefit of approximately \$5.8 million (\$0.07 per diluted share) for the change in a capital loss valuation allowance due to capital gain income during the quarter and \$6.5 million (\$0.08 per diluted share) due to the release of tax reserves.

### Sales

Net sales for the 13 weeks ended August 4, 2007 were \$1.649 billion compared to sales for the 13 weeks ended July 29, 2006 of \$1.685 billion. Total net sales declined 2% during the 13-week period. Sales in comparable stores declined 3%.

During the 13 weeks ended August 4, 2007, net sales in the Central region were slightly better than the Company's total performance for the period. Sales were consistent with trend in the Western region and below trend in the Eastern region. Sales in the juniors' and children's apparel category and the home and other category declined significantly more than trend during the period.

### Cost of Sales – Gross Margin

Cost of sales as a percentage of sales increased to 68.5% during the 13 weeks ended August 4, 2007 compared to 66.6% for the 13 weeks ended July 29, 2006. The gross margin decline of 190 basis points of sales was primarily driven by higher markdowns. As a result of the Company's efforts to maintain appropriate inventory levels in light of sales declines during the quarter, comparable store inventory at August 4, 2007 declined 4% compared to July 29, 2006.

By merchandise category, a slightly improved gross margin performance was noted in shoes while the home & other category and the men's apparel and accessories category posted the weakest performances compared to the total decline.

Penetration of exclusive brand merchandise for the 26 weeks ended August 4, 2007 and July 29, 2006 was 23.8% and 23.4%, respectively.

### Advertising, Selling, Administrative and General Expenses

Advertising, selling, administrative and general ("S G & A") expenses were \$496.5 million and \$510.6 million during the 13 weeks ended August 4, 2007 and July 29, 2006, respectively. Included in S G & A expenses for the 13 weeks ended July 29, 2006 is a pretax charge of \$21.7 million for a memorandum of understanding reached in a litigation case during the period. Exclusive of the \$21.7 million charge in the prior year, S G & A expenses increased \$7.6 million primarily as a result of increased payroll expense.

## Interest and Debt Expense

Net interest and debt expense declined \$1.9 million for the 13 weeks ended August 4, 2007 compared to the 13 weeks ended July 29, 2006 as a result of lower debt levels. Interest and debt expense was \$22.7 million and \$24.6 million during the 13 weeks ended August 4, 2007 and July 29, 2006, respectively.

As of August 4, 2007, short term borrowings of \$171.2 million and letters of credit totaling \$79.0 million were outstanding under the Company's \$1.2 billion revolving credit facility.

## Store Information

During the 13 weeks ended August 4, 2007, Dillard's opened its new location at Alamance Crossing in Burlington, North Carolina (126,000 square feet).

Recently, the Company announced the upcoming closure of its Crestwood Plaza location in St. Louis, Missouri (170,000 square feet), its Bellevue Center location in Nashville, Tennessee (170,000 square feet) and its Southwyck Shopping Center (180,000 square feet) location in Toledo, Ohio. These stores are expected to close by the end of the fiscal year.

As previously, announced, Dillard's plans to open the following locations during the third quarter of 2007:

Stonebriar Centre	Frisco, Texas	200,000	September
Ashley Park	Newnan, Georgia	155,000	September
Hill Country Galleria	West Austin, Texas	145,000	September
Fallen Timbers	Toledo, Ohio	155,000	October
Santan Village	Gilbert, Arizona	155,000	October
Promenade at Casa Grande	Casa Grande, Arizona	98,000	October

As of August 4, 2007, the Company operated 329 Dillard's locations spanning 29 states.

### Dillard's, Inc. and Subsidiaries Condensed Consolidated Statements of Income (In Millions, Except Per Share Data)

	13-Week Period Ended			
	August 4, 2007		July 29, 2006	
	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	\$ 1,648.5	-	\$ 1,685.5	-
<b>Total revenues</b>	<b>1,689.1</b>	<b>102.5 %</b>	<b>1,733.4</b>	<b>102.8 %</b>
Cost of sales	1,128.7	68.5	1,122.3	66.6
Advertising, selling, administrative and general expenses	496.5	30.1	510.6	30.3
Depreciation and amortization	74.9	4.5	74.0	4.4
Rentals	13.5	0.8	11.6	0.7
Interest and debt expense, net	22.7	1.4	24.6	1.4
Gain on disposal of assets	(0.6)	0.0	(13.8)	(0.8)
(Loss) income before income taxes and equity in earnings of joint ventures	(46.6)	(2.8)	4.1	0.2
Income tax benefit	(17.3)		(10.3)	
Equity in earnings of joint ventures	4.1	0.3	1.3	0.1
<b>Net (Loss) Income</b>	<b>\$ (25.2)</b>	<b>(1.5) %</b>	<b>\$ 15.7</b>	<b>0.9 %</b>
<b>(Loss) earnings per share</b>	<b>\$ (0.31)</b>		<b>\$ 0.20</b>	
Basic weighted average shares	80.3		79.4	
Diluted weighted average shares	80.3		80.2	

**Dillard's, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Income**  
(In Millions, Except Per Share Data)

	<b>26-Week Period Ended</b>			
	August 4, 2007		July 29, 2006	
	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	\$ 3,411.5	-	\$ 3,520.8	-
<b>Total revenues</b>	<b>3,488.5</b>	<b>102.2 %</b>	<b>3,610.1</b>	<b>102.5 %</b>
Cost of sales	2,254.8	66.1	2,301.7	65.4
Advertising, selling, administrative and general expenses	995.8	29.2	1,005.2	28.5
Depreciation and amortization	149.8	4.4	147.4	4.2
Rentals	26.7	0.8	23.2	0.7
Interest and debt expense, net	43.5	1.2	48.2	1.4
Gain on disposal of assets	(0.6)	0.0	(15.4)	(0.5)
Income before income taxes and equity in earnings of joint ventures	18.5	0.5	99.8	2.8
Income tax expense	8.0		24.8	
Equity in earnings of joint ventures	7.3	0.2	2.1	0.1
<b>Net Income</b>	<b>\$ 17.8</b>	<b>0.5 %</b>	<b>\$ 77.1</b>	<b>2.2 %</b>
<b>Earnings per share</b>	<b>\$ 0.22</b>		<b>\$ 0.97</b>	
Basic weighted average shares	80.3		79.4	
Diluted weighted average shares	81.7		79.8	

**Dillard's, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets**  
(In Millions)

	August 4, 2007	July 29, 2006
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 91.9	\$ 145.4
Trade accounts receivable	10.2	12.2
Merchandise inventories	1,804.0	1,870.0
Other current assets	41.9	41.7
Total current assets	1,948.0	2,069.3
Property and equipment, net	3,255.0	3,183.0
Goodwill	34.5	34.5
Other assets	175.9	169.5
<b>Total Assets</b>	<b>\$ 5,413.4</b>	<b>\$ 5,456.3</b>
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities:		
Trade accounts payable and accrued expenses	\$ 774.2	\$ 913.1
Other short-term borrowings	171.2	-
Current portion of long-term debt and capital leases	99.3	105.9
Federal and state income taxes including current deferred taxes	23.5	26.5
Total current liabilities	1,068.2	1,045.5
Long-term debt and capital leases	887.4	1,088.2
Other liabilities	221.9	248.1
Deferred income taxes	430.9	456.2
Guaranteed preferred beneficial interests in the Company's subordinated debentures	200.0	200.0

Stockholders' equity	<u>4,600.0</u>	<u>4,418.5</u>
<b>Total Liabilities and Stockholders' Equity</b>	<b><u>\$ 5,413.4</u></b>	<b><u>\$ 5,456.3</u></b>

**Other Information**  
(In Millions)

	<u>August 4, 2007</u>	<u>July 29, 2006</u>
<b>Square footage</b>	<u>56.8</u>	<u>56.5</u>
<b>Capital expenditures</b>		
13 weeks ended	\$129.4	\$105.0
26 weeks ended	\$236.6	169.7

**Estimates for 2007**

The Company is updating the following estimates for certain income statement items for the fiscal year ending February 2, 2008 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>2007</u>	<u>2006</u>
	<u>Estimated</u>	<u>Actual</u>
Depreciation and amortization	\$305	\$301
Rental expense	58	55
Interest and debt expense, net	87	88
Capital expenditures	400	321

**Forward-Looking Information**

The foregoing contains certain "forward-looking statements" within the definition of federal securities laws. Statements made in this release regarding the Company's store opening and closing information and estimates for 2007 are forward-looking statements. The Company cautions that forward-looking statements, as such term is defined in the Private Securities Litigation Reform Act of 1995, contained in this report are based on estimates, projections, beliefs and assumptions of management at the time of such statements and are not guarantees of future performance. The Company disclaims any obligation to update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information, or otherwise. Forward-looking statements of the Company involve risks and uncertainties and are subject to change based on various important factors. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements made by the Company and its management as a result of a number of risks, uncertainties and assumptions. Representative examples of those factors (without limitation) include general retail industry conditions and macro-economic conditions; economic and weather conditions for regions in which the Company's stores are located and the effect of these factors on the buying patterns of the Company's customers; the impact of competitive pressures in the department store industry and other retail channels including specialty, off-price, discount, internet, and mail-order retailers; changes in consumer spending patterns and debt levels; adequate and stable availability of materials and production facilities from which the Company sources its merchandise; changes in operating expenses, including employee wages, commission structures and related benefits; possible future acquisitions of store properties from other department store operators and the continued availability of financing in amounts and at the terms necessary to support the Company's future business; potential disruption from terrorist activity and the effect on ongoing consumer confidence; potential disruption of international trade and supply chain efficiencies; events causing disruption or delays in the store construction schedule, world conflict and the possible impact on consumer spending patterns and other economic and demographic changes of similar or dissimilar nature.

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