

DILLARDS INC  
Form 10-Q  
September 03, 2013  
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended August 3, 2013

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 1-6140

# DILLARD S, INC.

(Exact name of registrant as specified in its charter)

**DELAWARE**  
(State or other jurisdiction  
of incorporation or organization)

**71-0388071**  
(I.R.S. Employer  
Identification No.)

**1600 CANTRELL ROAD, LITTLE ROCK, ARKANSAS 72201**

(Address of principal executive offices)

(Zip Code)

**(501) 376-5200**

(Registrant's telephone number, including area code)

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

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

CLASS A COMMON STOCK as of August 27, 2013 41,806,487

CLASS B COMMON STOCK as of August 27, 2013 4,010,929

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## PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

## DILLARD S, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In Thousands)

|                                                                                                                          | August 3,<br>2013   | February 2,<br>2013 | July 28,<br>2012    |
|--------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|
| <b>Assets</b>                                                                                                            |                     |                     |                     |
| Current assets:                                                                                                          |                     |                     |                     |
| Cash and cash equivalents                                                                                                | \$ 113,735          | \$ 124,060          | \$ 162,533          |
| Accounts receivable                                                                                                      | 26,239              | 31,519              | 33,414              |
| Merchandise inventories                                                                                                  | 1,459,284           | 1,294,581           | 1,362,077           |
| Other current assets                                                                                                     | 50,067              | 41,820              | 44,525              |
| <b>Total current assets</b>                                                                                              | <b>1,649,325</b>    | <b>1,491,980</b>    | <b>1,602,549</b>    |
| Property and equipment (net of accumulated depreciation and<br>amortization of \$2,288,603, \$2,167,477 and \$2,352,658) |                     |                     |                     |
|                                                                                                                          | 2,198,693           | 2,287,015           | 2,388,107           |
| Other assets                                                                                                             | 259,445             | 269,749             | 270,806             |
| <b>Total assets</b>                                                                                                      | <b>\$ 4,107,463</b> | <b>\$ 4,048,744</b> | <b>\$ 4,261,462</b> |
| <b>Liabilities and stockholders equity</b>                                                                               |                     |                     |                     |
| Current liabilities:                                                                                                     |                     |                     |                     |
| Trade accounts payable and accrued expenses                                                                              | \$ 713,103          | \$ 653,769          | \$ 699,026          |
| Current portion of long-term debt                                                                                        |                     |                     | 75,857              |
| Current portion of capital lease obligations                                                                             | 918                 | 1,710               | 2,369               |
| Other short-term borrowings                                                                                              |                     |                     | 24,000              |
| Federal and state income taxes including current deferred taxes                                                          | 83,512              | 111,637             | 74,342              |
| <b>Total current liabilities</b>                                                                                         | <b>797,533</b>      | <b>767,116</b>      | <b>875,594</b>      |
| Long-term debt                                                                                                           | 614,785             | 614,785             | 614,785             |
| Capital lease obligations                                                                                                | 7,150               | 7,524               | 7,997               |
| Other liabilities                                                                                                        | 229,155             | 233,492             | 246,620             |
| Deferred income taxes                                                                                                    | 248,002             | 255,652             | 294,989             |
| Subordinated debentures                                                                                                  | 200,000             | 200,000             | 200,000             |
| Commitments and contingencies                                                                                            |                     |                     |                     |

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|                                                   |           |                  |                  |                  |
|---------------------------------------------------|-----------|------------------|------------------|------------------|
| Stockholders' equity:                             |           |                  |                  |                  |
| Common stock                                      |           | 1,237            | 1,237            | 1,227            |
| Additional paid-in capital                        |           | 933,264          | 932,495          | 837,401          |
| Accumulated other comprehensive loss              |           | (25,785)         | (31,275)         | (37,198)         |
| Retained earnings                                 |           | 3,248,620        | 3,099,566        | 3,228,474        |
| Less treasury stock, at cost                      |           | (2,146,498)      | (2,031,848)      | (2,008,427)      |
| <b>Total stockholders' equity</b>                 |           | <b>2,010,838</b> | <b>1,970,175</b> | <b>2,021,477</b> |
| <b>Total liabilities and stockholders' equity</b> | <b>\$</b> | <b>4,107,463</b> | <b>\$</b>        | <b>4,048,744</b> |
|                                                   |           |                  | <b>\$</b>        | <b>4,261,462</b> |

See notes to condensed consolidated financial statements.

Table of Contents**DILLARD S, INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS****(Unaudited)****(In Thousands, Except Per Share Data)**

|                                                                                    | Three Months Ended  |                     | Six Months Ended    |                     |
|------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                                    | August 3,<br>2013   | July 28,<br>2012    | August 3,<br>2013   | July 28,<br>2012    |
| Net sales                                                                          | \$ 1,479,852        | \$ 1,487,925        | \$ 3,028,988        | \$ 3,037,244        |
| Service charges and other income                                                   | 36,944              | 37,257              | 77,189              | 73,950              |
|                                                                                    | 1,516,796           | 1,525,182           | 3,106,177           | 3,111,194           |
| Cost of sales                                                                      | 976,822             | 987,802             | 1,914,607           | 1,944,715           |
| Selling, general and administrative expenses                                       | 398,218             | 398,788             | 788,414             | 792,026             |
| Depreciation and amortization                                                      | 64,244              | 64,215              | 129,360             | 128,235             |
| Rentals                                                                            | 5,532               | 8,641               | 11,103              | 16,906              |
| Interest and debt expense, net                                                     | 16,246              | 17,673              | 32,556              | 35,128              |
| Gain on disposal of assets                                                         | (24)                | (142)               | (12,369)            | (1,139)             |
| Asset impairment and store closing charges                                         |                     |                     | 6,527               |                     |
| Income before income taxes and income on<br>and equity in losses of joint ventures | 55,758              | 48,205              | 235,979             | 195,323             |
| Income taxes                                                                       | 19,675              | 17,330              | 83,095              | 70,300              |
| Income on and equity in losses of joint<br>ventures                                | 408                 | 147                 | 817                 | 982                 |
| <b>Net income</b>                                                                  | <b>36,491</b>       | <b>31,022</b>       | <b>153,701</b>      | <b>126,005</b>      |
| Retained earnings at beginning of period                                           | 3,214,446           | 3,199,848           | 3,099,566           | 3,107,344           |
| Cash dividends declared                                                            | (2,317)             | (2,396)             | (4,647)             | (4,875)             |
| <b>Retained earnings at end of period</b>                                          | <b>\$ 3,248,620</b> | <b>\$ 3,228,474</b> | <b>\$ 3,248,620</b> | <b>\$ 3,228,474</b> |
| Earnings per share:                                                                |                     |                     |                     |                     |
| Basic                                                                              | \$ 0.79             | \$ 0.64             | \$ 3.30             | \$ 2.58             |
| Diluted                                                                            | \$ 0.79             | \$ 0.63             | \$ 3.30             | \$ 2.53             |
| Cash dividends declared per common share                                           | \$ 0.05             | \$ 0.05             | \$ 0.10             | \$ 0.10             |

See notes to condensed consolidated financial statements.

Table of Contents**DILLARD S, INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Unaudited)****(In Thousands)**

|                                                                                                                               | <b>Three Months Ended</b> |                          | <b>Six Months Ended</b>   |                          |
|-------------------------------------------------------------------------------------------------------------------------------|---------------------------|--------------------------|---------------------------|--------------------------|
|                                                                                                                               | <b>August 3,<br/>2013</b> | <b>July 28,<br/>2012</b> | <b>August 3,<br/>2013</b> | <b>July 28,<br/>2012</b> |
| Net income                                                                                                                    | \$ 36,491                 | \$ 31,022                | \$ 153,701                | \$ 126,005               |
| Other comprehensive income:                                                                                                   |                           |                          |                           |                          |
| Amortization of retirement plan and other<br>retiree benefit adjustments (net of tax of \$297,<br>\$522, \$3,395 and \$1,044) | 480                       | 918                      | 5,490                     | 1,836                    |
| <b>Comprehensive income</b>                                                                                                   | <b>\$ 36,971</b>          | <b>\$ 31,940</b>         | <b>\$ 159,191</b>         | <b>\$ 127,841</b>        |

See notes to condensed consolidated financial statements.



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## DILLARD S, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In Thousands)

|                                                                                   | Six Months Ended  |                   |
|-----------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                                   | August 3,<br>2013 | July 28,<br>2012  |
| <b>Operating activities:</b>                                                      |                   |                   |
| Net income                                                                        | \$ 153,701        | \$ 126,005        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                   |                   |
| Depreciation and amortization of property and deferred financing costs            | 130,343           | 129,197           |
| Gain on disposal of assets                                                        | (12,369)          | (1,139)           |
| Excess tax benefits from share-based compensation                                 |                   | (2,028)           |
| Asset impairment and store closing charges                                        | 6,527             |                   |
| Changes in operating assets and liabilities:                                      |                   |                   |
| Decrease (increase) in accounts receivable                                        | 5,280             | (4,706)           |
| Increase in merchandise inventories                                               | (164,703)         | (57,953)          |
| Increase in other current assets                                                  | (7,478)           | (9,900)           |
| Decrease in other assets                                                          | 1,324             | 7,777             |
| Increase in trade accounts payable and accrued expenses and other liabilities     | 54,870            | 44,417            |
| Decrease in income taxes payable                                                  | (35,775)          | (78,849)          |
| <b>Net cash provided by operating activities</b>                                  | <b>131,720</b>    | <b>152,821</b>    |
| <b>Investing activities:</b>                                                      |                   |                   |
| Purchases of property and equipment                                               | (40,868)          | (86,740)          |
| Proceeds from disposal of assets                                                  | 18,269            | 7,883             |
| <b>Net cash used in investing activities</b>                                      | <b>(22,599)</b>   | <b>(78,857)</b>   |
| <b>Financing activities:</b>                                                      |                   |                   |
| Principal payments on long-term debt and capital lease obligations                | (1,166)           | (2,031)           |
| Issuance cost of line of credit                                                   | (1,300)           | (5,350)           |
| Increase in short-term borrowings                                                 |                   | 24,000            |
| Cash dividends paid                                                               | (2,330)           | (4,983)           |
| Purchase of treasury stock                                                        | (114,650)         | (153,099)         |
| Proceeds from stock issuance                                                      |                   | 3,732             |
| Excess tax benefits from share-based compensation                                 |                   | 2,028             |
| <b>Net cash used in financing activities</b>                                      | <b>(119,446)</b>  | <b>(135,703)</b>  |
| Decrease in cash and cash equivalents                                             | (10,325)          | (61,739)          |
| Cash and cash equivalents, beginning of period                                    | 124,060           | 224,272           |
| <b>Cash and cash equivalents, end of period</b>                                   | <b>\$ 113,735</b> | <b>\$ 162,533</b> |
| <b>Non-cash transactions:</b>                                                     |                   |                   |
| Accrued capital expenditures                                                      | \$ 3,300          | \$ 3,408          |

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|                                 |     |       |
|---------------------------------|-----|-------|
| Stock awards                    | 769 | 2,847 |
| Accrued treasury stock purchase |     | 9,016 |

See notes to condensed consolidated financial statements.

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**DILLARD S, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**Note 1. Basis of Presentation**

The accompanying unaudited interim condensed consolidated financial statements of Dillard s, Inc. (the Company ) have been prepared in accordance with the rules of the Securities and Exchange Commission ( SEC ). Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America ( GAAP ) for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended August 3, 2013 are not necessarily indicative of the results that may be expected for the fiscal year ending February 1, 2014 due to the seasonal nature of the business.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended February 2, 2013 filed with the SEC on March 28, 2013.

**Note 2. Business Segments**

The Company operates in two reportable segments: the operation of retail department stores ( retail operations ) and a general contracting construction company ( construction ).

For the Company s retail operations, the Company determined its operating segments on a store by store basis. Each store s operating performance has been aggregated into one reportable segment. The Company s operating segments are aggregated for financial reporting purposes because they are similar in each of the following areas: economic characteristics, class of consumer, nature of products and distribution methods. Revenues from external customers are derived from merchandise sales, and the Company does not rely on any major customers as a source of revenue. Across all stores, the Company operates one store format under the Dillard s name where each store offers the same general mix of merchandise with similar categories and similar customers. The Company believes that disaggregating its operating segments would not provide meaningful additional information.

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The following tables summarize certain segment information, including the reconciliation of those items to the Company's consolidated operations:

| (in thousands of dollars)                                                       | Retail<br>Operations | Construction | Consolidated |
|---------------------------------------------------------------------------------|----------------------|--------------|--------------|
| <b>Three Months Ended August 3, 2013:</b>                                       |                      |              |              |
| Net sales from external customers                                               | \$ 1,458,778         | \$ 21,074    | \$ 1,479,852 |
| Gross profit                                                                    | 501,417              | 1,613        | 503,030      |
| Depreciation and amortization                                                   | 64,186               | 58           | 64,244       |
| Interest and debt expense (income), net                                         | 16,262               | (16)         | 16,246       |
| Income before income taxes and income on and equity in losses of joint ventures | 55,282               | 476          | 55,758       |
| Income on and equity in losses of joint ventures                                | 408                  |              | 408          |
| Total assets                                                                    | 4,074,433            | 33,030       | 4,107,463    |
| <b>Three Months Ended July 28, 2012:</b>                                        |                      |              |              |
| Net sales from external customers                                               | \$ 1,456,025         | \$ 31,900    | \$ 1,487,925 |
| Gross profit                                                                    | 498,717              | 1,406        | 500,123      |
| Depreciation and amortization                                                   | 64,164               | 51           | 64,215       |
| Interest and debt expense (income), net                                         | 17,708               | (35)         | 17,673       |
| Income before income taxes and income on and equity in losses of joint ventures | 48,028               | 177          | 48,205       |
| Income on and equity in losses of joint ventures                                | 147                  |              | 147          |
| Total assets                                                                    | 4,215,718            | 45,744       | 4,261,462    |
| <b>Six Months Ended August 3, 2013:</b>                                         |                      |              |              |
| Net sales from external customers                                               | \$ 2,988,778         | \$ 40,210    | \$ 3,028,988 |
| Gross profit                                                                    | 1,111,306            | 3,075        | 1,114,381    |
| Depreciation and amortization                                                   | 129,243              | 117          | 129,360      |
| Interest and debt expense (income), net                                         | 32,592               | (36)         | 32,556       |
| Income before income taxes and income on and equity in losses of joint ventures | 235,181              | 798          | 235,979      |
| Income on and equity in losses of joint ventures                                | 817                  |              | 817          |
| Total assets                                                                    | 4,074,433            | 33,030       | 4,107,463    |
| <b>Six Months Ended July 28, 2012:</b>                                          |                      |              |              |
| Net sales from external customers                                               | \$ 2,978,000         | \$ 59,244    | \$ 3,037,244 |
| Gross profit                                                                    | 1,089,780            | 2,749        | 1,092,529    |
| Depreciation and amortization                                                   | 128,139              | 96           | 128,235      |
| Interest and debt expense (income), net                                         | 35,199               | (71)         | 35,128       |
| Income before income taxes and income on and equity in losses of joint ventures | 194,996              | 327          | 195,323      |
| Income on and equity in losses of joint ventures                                | 982                  |              | 982          |
| Total assets                                                                    | 4,215,718            | 45,744       | 4,261,462    |

Intersegment construction revenues of \$10.6 million and \$12.4 million for the three and six months ended August 3, 2013, respectively, and intersegment construction revenues of \$9.9 million and \$17.8 million for the three and six months ended July 28, 2012, respectively, were eliminated during consolidation and have been excluded from net sales for the respective periods.

### **Note 3. Stock-Based Compensation**

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The Company has various stock option plans that provide for the granting of options to purchase shares of Class A Common Stock to certain key employees of the Company. Exercise and vesting terms for options granted under the plans are determined at each grant date. No stock options were granted during the three and six months ended August 3, 2013 and July 28, 2012, and no stock options were outstanding at August 3, 2013. The intrinsic value of stock options exercised during the quarter ended July 28, 2012 was \$2.0 million.

Table of Contents**Note 4. Asset Impairment and Store Closing Charges**

There were no asset impairment and store closing charges recorded during the three months ended August 3, 2013 and during the three and six months ended July 28, 2012.

During the six months ended August 3, 2013, the Company recorded a pretax charge of \$6.5 million for asset impairment and store closing costs. The charge was for the write-down of an operating property and certain cost method investments.

Following is a summary of the activity in the reserve established for store closing charges for the six months ended August 3, 2013:

| (in thousands)                     | Balance<br>Beginning<br>of Period | Adjustments<br>and Charges* | Cash Payments | Balance<br>End of Period |
|------------------------------------|-----------------------------------|-----------------------------|---------------|--------------------------|
| Rent, property taxes and utilities | \$ 251                            | \$ 101                      | \$ 224        | \$ 128                   |

\* included in rentals

Reserve amounts are included in trade accounts payable and accrued expenses and other liabilities.

**Note 5. Earnings Per Share Data**

The following table sets forth the computation of basic and diluted earnings per share for the periods indicated (in thousands, except per share data).

|                                                        | Three Months Ended |                  | Six Months Ended  |                  |
|--------------------------------------------------------|--------------------|------------------|-------------------|------------------|
|                                                        | August 3,<br>2013  | July 28,<br>2012 | August 3,<br>2013 | July 28,<br>2012 |
| <b>Basic:</b>                                          |                    |                  |                   |                  |
| Net income                                             | \$ 36,491          | \$ 31,022        | \$ 153,701        | \$ 126,005       |
| Weighted average shares of<br>common stock outstanding | 46,327             | 48,288           | 46,632            | 48,834           |
| Basic earnings per share                               | \$ 0.79            | \$ 0.64          | \$ 3.30           | \$ 2.58          |

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|                                                        | Three Months Ended |                  | Six Months Ended  |                  |
|--------------------------------------------------------|--------------------|------------------|-------------------|------------------|
|                                                        | August 3,<br>2013  | July 28,<br>2012 | August 3,<br>2013 | July 28,<br>2012 |
| <b>Diluted:</b>                                        |                    |                  |                   |                  |
| Net income                                             | \$ 36,491          | \$ 31,022        | \$ 153,701        | \$ 126,005       |
| Weighted average shares of<br>common stock outstanding | 46,327             | 48,288           | 46,632            | 48,834           |
| Dilutive effect of stock-based<br>compensation         |                    | 944              |                   | 937              |
| Total weighted average<br>equivalent shares            | 46,327             | 49,232           | 46,632            | 49,771           |
| Diluted earnings per share                             | \$ 0.79            | \$ 0.63          | \$ 3.30           | \$ 2.53          |

No stock options were outstanding at August 3, 2013, and total stock options outstanding were 2,100,000 at July 28, 2012.

**Note 6. Commitments and Contingencies**

Various legal proceedings, in the form of lawsuits and claims, which occur in the normal course of business, are pending against the Company and its subsidiaries. In the opinion of management, disposition of these matters is not expected to have a material adverse effect on the Company's financial position, cash flows or results of operations.

At August 3, 2013, letters of credit totaling \$47.2 million were issued under the Company's revolving credit facility.

Table of Contents**Note 7. Benefit Plans**

The Company has an unfunded, nonqualified defined benefit plan ( Pension Plan ) for its officers. The Pension Plan is noncontributory and provides benefits based on years of service and compensation during employment. Pension expense is determined using various actuarial cost methods to estimate the total benefits ultimately payable to officers and allocates this cost to service periods. The actuarial assumptions used to calculate pension costs are reviewed annually. The Company made contributions to the Pension Plan of \$0.7 million and \$1.4 million during the three and six months ended August 3, 2013, respectively. The Company expects to make contributions to the Pension Plan of approximately \$1.3 million for the remainder of fiscal 2013.

The components of net periodic benefit costs are as follows (in thousands):

|                                           | Three Months Ended |                  | Six Months Ended  |                  |
|-------------------------------------------|--------------------|------------------|-------------------|------------------|
|                                           | August 3,<br>2013  | July 28,<br>2012 | August 3,<br>2013 | July 28,<br>2012 |
| Components of net periodic benefit costs: |                    |                  |                   |                  |
| Service cost                              | \$ 1,059           | \$ 817           | \$ 2,118          | \$ 1,634         |
| Interest cost                             | 1,695              | 1,823            | 3,391             | 3,647            |
| Net actuarial loss                        | 753                | 1,283            | 1,506             | 2,566            |
| Amortization of prior service cost        | 24                 | 157              | 48                | 313              |
| Plan curtailment gain                     |                    |                  | (1,480)           |                  |
| Net periodic benefit costs                | \$ 3,531           | \$ 4,080         | \$ 5,583          | \$ 8,160         |

Net periodic benefit costs are included in selling, general and administrative expenses.

**Note 8. Revolving Credit Agreement**

At August 3, 2013, the Company maintained a \$1.0 billion revolving credit facility ( credit agreement ) with J. P. Morgan Securities LLC ( JPMorgan ) and Wells Fargo Capital Finance, LLC as the lead agents for various banks, secured by the inventory of Dillard's, Inc. operating subsidiaries. The credit agreement expires July 1, 2018.

Borrowings under the credit agreement accrue interest at either JPMorgan's Base Rate or LIBOR plus 1.5% (1.69% at August 3, 2013) subject to certain availability thresholds as defined in the credit agreement.

Limited to 90% of the inventory of certain Company subsidiaries, availability for borrowings and letter of credit obligations under the credit agreement was \$982.3 million at August 3, 2013. No borrowings were outstanding at August 3, 2013. Letters of credit totaling \$47.2 million were issued under this credit agreement leaving unutilized availability under the facility of approximately \$935 million at August 3, 2013. There are no financial covenant requirements under the credit agreement provided availability exceeds \$100 million. The Company pays an annual commitment fee to the banks of 0.25% of the committed amount less outstanding borrowings and letters of credit.



**Note 9. Stock Repurchase Programs**

All repurchases of the Company's Class A Common Stock were made at the market price at the trade date. Accordingly, all amounts paid to reacquire these shares were allocated to Treasury Stock.

***2013 Stock Plan***

In March 2013, the Company's Board of Directors authorized the repurchase of up to \$250 million of the Company's Class A Common Stock under an open-ended stock plan ( 2013 Stock Plan ). This authorization permits the Company to repurchase its Class A Common Stock in the open market, pursuant to preset trading plans meeting the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934 ( Exchange Act ) or through privately negotiated transactions. No repurchases were made during the three months ended August 3, 2013. During the six months ended August 3, 2013, the Company repurchased 0.3 million shares for \$22.7 million at an average price of \$79.04 per share. At August 3, 2013, \$227.3 million of authorization remained under the 2013 Stock Plan.

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***2012 Stock Plan***

In February 2012, the Company's Board of Directors authorized the repurchase of up to \$250 million of the Company's Class A Common Stock under an open-ended stock plan ( 2012 Stock Plan ). This authorization permitted the Company to repurchase its Class A Common Stock in the open market, pursuant to preset trading plans meeting the requirements of Rule 10b5-1 under the Exchange Act or through privately negotiated transactions. During the three months ended July 28, 2012, the Company repurchased 2.1 million shares for \$134.6 million at an average price of \$64.52 per share. During the six months ended August 3, 2013, the Company repurchased 1.2 million shares for \$92.0 million at an average price of \$79.14 per share, which completed the authorization under the 2012 Stock Plan.

***May 2011 Stock Plan***

In May 2011, the Company's Board of Directors authorized the Company to repurchase up to \$250 million of the Company's Class A Common Stock under an open-ended stock plan ( May 2011 Stock Plan ). This authorization permitted the Company to repurchase its Class A Common Stock in the open market, pursuant to preset trading plans meeting the requirements of Rule 10b5-1 under the Exchange Act or through privately negotiated transactions. During the six months ended July 28, 2012, the Company repurchased 439 thousand shares for \$27.5 million at an average price of \$62.71 per share, which completed the authorization under the May 2011 Stock Plan.

**Note 10. Income Taxes**

During the three months ended August 3, 2013, income tax expense differed from what would be computed using the statutory federal tax rate primarily due to the effect of state and local income taxes partially offset by tax benefits recognized for federal tax credits. During the three months ended July 28, 2012, income tax expense differed from what would be computed using the statutory federal tax rate primarily due to the effect of state and local income taxes.

During the six months ended August 3, 2013, income tax expense differed from what would be computed using the statutory federal tax rate primarily due to the effect of state and local income taxes partially offset by tax benefits recognized for federal tax credits. During the six months ended July 28, 2012, income tax expense differed from what would be computed using the statutory federal tax rate primarily due to the effect of state and local income taxes partially offset by a benefit due to net decreases in unrecognized tax benefits primarily related to statute lapses.

Table of Contents**Note 11. Reclassifications from Accumulated Other Comprehensive Loss ( AOCL )**

Reclassifications from AOCL are summarized as follows (in thousands):

| Details about AOCL Components             | Amount<br>Reclassified<br>from AOCL     |                                       | Affected Line Item in<br>the Statement Where<br>Net Income is Presented |
|-------------------------------------------|-----------------------------------------|---------------------------------------|-------------------------------------------------------------------------|
|                                           | Three Months<br>Ended<br>August 3, 2013 | Six Months<br>Ended<br>August 3, 2013 |                                                                         |
| <b>Defined benefit pension plan items</b> |                                         |                                       |                                                                         |
| Amortization of prior service costs       | \$ 24                                   | \$ 48                                 | (1)                                                                     |
| Amortization of actuarial losses          | 753                                     | 1,506                                 | (1)                                                                     |
| Plan curtailment gain                     |                                         | 7,331                                 | (2)                                                                     |
|                                           | 777                                     | 8,885                                 | Total before tax                                                        |
|                                           | 297                                     | 3,395                                 | Income tax expense                                                      |
|                                           | \$ 480                                  | \$ 5,490                              | Total net of tax                                                        |

(1) These items are included in the computation of net periodic pension cost. See Note 7, *Benefit Plans*, for additional information.

(2) The excess of the pension liability for the curtailed plan over the amount shown here is included in the computation of net periodic pension cost. See Note 7, *Benefit Plans*, for additional information.

**Note 12. Changes in Accumulated Other Comprehensive Loss**

Changes in AOCL by component (net of tax) are summarized as follows (in thousands):

|                                                     | Defined Benefit<br>Pension Plan Items   |                                       |
|-----------------------------------------------------|-----------------------------------------|---------------------------------------|
|                                                     | Three Months<br>Ended<br>August 3, 2013 | Six Months<br>Ended<br>August 3, 2013 |
| Beginning balance                                   | \$ 26,265                               | \$ 31,275                             |
| Other comprehensive income before reclassifications |                                         |                                       |
| Amounts reclassified from AOCL                      | (480)                                   | (5,490)                               |
| Net other comprehensive income                      | (480)                                   | (5,490)                               |
| Ending balance                                      | \$ 25,785                               | \$ 25,785                             |

**Note 13. Gain on Disposal of Assets**

During the six months ended August 3, 2013, the Company received proceeds of \$15.7 million from the sale of its investment in Acumen Brands, an eCommerce company based in Fayetteville, Arkansas. The sale resulted in a gain of \$11.7 million that was recorded in gain on disposal of assets.

During the six months ended August 3, 2013, the Company also received proceeds of \$1.7 million from the sale of two former retail stores located in Oklahoma City, Oklahoma and Pasadena, Texas that were held for sale, resulting in a gain of \$0.6 million that was recorded in gain on disposal of assets.

During the six months ended July 28, 2012, the Company received proceeds of \$7.8 million from the sales of two former retail stores located in Cincinnati, Ohio and Antioch, Tennessee that were held for sale and one building that was formerly a portion of a currently operating retail location, resulting in a net gain of \$0.9 million.

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**Note 14. Fair Value Disclosures**

The estimated fair values of financial instruments which are presented herein have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of amounts the Company could realize in a current market exchange.

The fair value of the Company's long-term debt and subordinated debentures is based on market prices or dealer quotes.

The fair value of the Company's cash and cash equivalents and trade accounts receivable approximates their carrying values at August 3, 2013 due to the short-term maturities of these instruments. The fair value of the Company's long-term debt at August 3, 2013 was approximately \$669 million. The carrying value of the Company's long-term debt at August 3, 2013 was \$615 million. The fair value of the Company's subordinated debentures at August 3, 2013 was approximately \$204 million. The carrying value of the Company's subordinated debentures at August 3, 2013 was \$200 million.

During the six months ended August 3, 2013, the Company recognized an impairment charge of \$5.4 million on certain cost method investments. The Company evaluated all factors and determined that an other-than-temporary impairment charge was necessary. These investments are recorded in other assets on the balance sheet.

*Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis*

The FASB's accounting guidance utilizes a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value into three broad levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities
  
- Level 2: Inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active
  
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions

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| (in thousands)                        | Fair Value<br>of Assets<br>(Liabilities) | Basis of Fair Value Measurements                                          |                                                           |                                                    |
|---------------------------------------|------------------------------------------|---------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
|                                       |                                          | Quoted Prices<br>In Active<br>Markets for<br>Identical Items<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Long-lived assets held for use</b> |                                          |                                                                           |                                                           |                                                    |
| As of August 3, 2013                  | \$ 3,000                                 | \$                                                                        | \$ 3,000                                                  | \$                                                 |

*Long-lived assets held for use*

During the six months ended August 3, 2013, an additional long-lived asset group held for use was written down to its fair value of \$3.0 million, resulting in an impairment charge of \$1.2 million, which was included in earnings for the period. The inputs used to calculate the fair value of these long-lived assets held for use was based upon an offer to purchase the property.

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**Note 15. Recently Issued Accounting Standards**

*Presentation of Comprehensive Income*

In February 2013, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, which requires the Company to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income on the Company's consolidated statement of comprehensive income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. This update does not change the current requirements for reporting net income or other comprehensive income in the consolidated financial statements of the Company, but does require the Company to provide information about the amounts reclassified out of accumulated other comprehensive income by component. The provisions in this update were effective prospectively beginning with the Company's first quarter of 2013. The adoption of this update affected the format and presentation of the Company's consolidated financial statements and the footnotes thereto but did not have any other impact on the Company's financial statements.

*Guidance on Financial Statement Presentation of Unrecognized Tax Benefit*

In July 2013, the FASB issued ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*, which provides explicit presentation guidelines. Under this ASU, an unrecognized tax benefit, or portion thereof, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward except when specific conditions are met as outlined in the ASU. When these specific conditions are met, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013, and should be applied prospectively to all unrecognized tax benefits that exist at the effective date. The adoption of this update is not expected to have a material impact on our consolidated financial statements.

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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion should be read in conjunction with the condensed consolidated financial statements and the footnotes thereto included elsewhere in this report, as well as the financial and other information included in our Annual Report on Form 10-K for the year ended February 2, 2013.

**EXECUTIVE OVERVIEW**

For the second quarter of fiscal 2013, Dillard's operating results improved over its prior year performance. Comparable store sales were up for the twelfth consecutive quarter, and gross profit from retail operations improved 10 basis points of sales. Selling, general and administrative expenses were down in total dollars but increased 10 basis points of sales. Net income increased to \$36.5 million, or \$0.79 per share – our highest historical second fiscal quarter earnings per share – compared to \$31.0 million, or \$0.63 per share, for the second quarter of last year.

Highlights of the quarter ended August 3, 2013 as compared to the quarter ended July 28, 2012 included:

- a 1% increase in comparable store sales,
- gross margin from retail operations improvement of 10 basis points of sales, and
- record second quarter earnings per share of \$0.79 per share, a 25% increase over the prior year second quarter.

As of August 3, 2013, we had working capital of \$851.8 million, cash and cash equivalents of \$113.7 million and \$814.8 million of total debt outstanding, excluding capital lease obligations. Cash flows from operating activities were \$131.7 million for the six months ended August 3, 2013. We operated 300 total stores, including 18 clearance centers, and one internet store as of August 3, 2013, a decrease of three stores from the same period last year.

**Key Performance Indicators**

We use a number of key indicators of financial condition and operating performance to evaluate our business, including the following:

| Three Months Ended |                  |
|--------------------|------------------|
| August 3,<br>2013  | July 28,<br>2012 |



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|                                                                           |    |         |    |         |
|---------------------------------------------------------------------------|----|---------|----|---------|
| Net sales (in millions)                                                   | \$ | 1,479.9 | \$ | 1,487.9 |
| Retail stores sales trend                                                 |    | 0%      |    | 2%      |
| Comparable retail stores sales trend                                      |    | 1%      |    | 3%      |
| Gross profit (in millions)                                                | \$ | 503.0   | \$ | 500.1   |
| Gross profit as a percentage of net sales                                 |    | 34.0%   |    | 33.6%   |
| Retail gross profit as a percentage of net sales                          |    | 34.4%   |    | 34.3%   |
| Selling, general and administrative expenses as a percentage of net sales |    | 26.9%   |    | 26.8%   |
| Cash flow from operations (in millions)*                                  | \$ | 131.7   | \$ | 152.8   |
| Total retail store count at end of period                                 |    | 300     |    | 303     |
| Retail sales per square foot                                              | \$ | 29      | \$ | 29      |
| Comparable retail store inventory trend                                   |    | 8%      |    | 0%      |
| Retail merchandise inventory turnover                                     |    | 2.6     |    | 2.7     |

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\*Cash flow from operations data is for the six months ended August 3, 2013 and July 28, 2012.

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**General**

**Net sales.** Net sales include merchandise sales of comparable and non-comparable stores and revenue recognized on contracts of CDI Contractors, LLC ( CDI ), the Company's general contracting construction company. Comparable store sales include sales for those stores which were in operation for a full period in both the current month and the corresponding month for the prior year. Comparable store sales exclude the change in the allowance for sales returns. Non-comparable store sales include: sales in the current fiscal year from stores opened during the previous fiscal year before they are considered comparable stores; sales from new stores opened during the current fiscal year; sales in the previous fiscal year for stores closed during the current or previous fiscal year that are no longer considered comparable stores; sales in clearance centers; and changes in the allowance for sales returns.

**Service charges and other income.** Service charges and other income include income generated through the long-term marketing and servicing alliance ( Alliance ) with GE Consumer Finance ( GE ), which owns and manages the Dillard's branded proprietary cards. Other income includes rental income, shipping and handling fees, gift card breakage and lease income on leased departments.

**Cost of sales.** Cost of sales includes the cost of merchandise sold (net of purchase discounts and non-specific margin maintenance allowances), bankcard fees, freight to the distribution centers, employee and promotional discounts, and direct payroll for salon personnel. Cost of sales also includes CDI contract costs, which comprise all direct material and labor costs, subcontract costs and those indirect costs related to contract performance, such as indirect labor, employee benefits and insurance program costs.

**Selling, general and administrative expenses.** Selling, general and administrative expenses include buying, occupancy, selling, distribution, warehousing, store and corporate expenses (including payroll and employee benefits), insurance, employment taxes, advertising, management information systems, legal and other corporate level expenses. Buying expenses consist of payroll, employee benefits and travel for design, buying and merchandising personnel.

**Depreciation and amortization.** Depreciation and amortization expenses include depreciation and amortization on property and equipment.

**Rentals.** Rentals include expenses for store leases, including contingent rent, and data processing and other equipment rentals.

**Interest and debt expense, net.** Interest and debt expense includes interest, net of interest income, relating to the Company's unsecured notes, mortgage note, term note, subordinated debentures and borrowings under the Company's credit facility. Interest and debt expense also includes gains and losses on note repurchases, if any, amortization of financing costs and interest on capital lease obligations.

**Gain on disposal of assets.** Gain on disposal of assets includes the net gain or loss on the sale or disposal of property and equipment and the gain on the sale of an investment.

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**Asset impairment and store closing charges.** Asset impairment and store closing charges consist of (a) write-downs to fair value of under-performing or held for sale properties and of cost method investments and (b) exit costs associated with the closure of certain stores. Exit costs include future rent, taxes and common area maintenance expenses from the time the stores are closed.

**Income on and equity in losses of joint ventures.** Income on and equity in losses of joint ventures includes the Company's portion of the income or loss of the Company's unconsolidated joint ventures.

### **Seasonality and Inflation**

Our business, like many other retailers, is subject to seasonal influences, with a significant portion of sales and income typically realized during the last quarter of our fiscal year due to the holiday season. Because of the seasonality of our business, results from any quarter are not necessarily indicative of the results that may be achieved for a full fiscal year.

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We do not believe that inflation has had a material effect on our results during the periods presented; however, our business could be affected by such in the future.

**RESULTS OF OPERATIONS**

The following table sets forth the results of operations as a percentage of net sales for the periods indicated (percentages may not foot due to rounding):

|                                                                                 | <b>Three Months Ended</b> |                          | <b>Six Months Ended</b>   |                          |
|---------------------------------------------------------------------------------|---------------------------|--------------------------|---------------------------|--------------------------|
|                                                                                 | <b>August 3,<br/>2013</b> | <b>July 28,<br/>2012</b> | <b>August 3,<br/>2013</b> | <b>July 28,<br/>2012</b> |
| Net sales                                                                       | 100.0%                    | 100.0%                   | 100.0%                    | 100.0%                   |
| Service charges and other income                                                | 2.5                       | 2.5                      | 2.5                       | 2.4                      |
|                                                                                 | 102.5                     | 102.5                    | 102.5                     | 102.4                    |
| Cost of sales                                                                   | 66.0                      | 66.4                     | 63.2                      | 64.0                     |
| Selling, general and administrative expenses                                    | 26.9                      | 26.8                     | 26.0                      | 26.1                     |
| Depreciation and amortization                                                   | 4.3                       | 4.3                      | 4.3                       | 4.2                      |
| Rentals                                                                         | 0.4                       | 0.6                      | 0.4                       | 0.6                      |
| Interest and debt expense, net                                                  | 1.1                       | 1.2                      | 1.1                       | 1.1                      |
| Gain on disposal of assets                                                      | (0.0)                     | (0.0)                    | (0.4)                     | (0.0)                    |
| Asset impairment and store closing charges                                      | 0.0                       | 0.0                      | 0.2                       | 0.0                      |
| Income before income taxes and income on and equity in losses of joint ventures | 3.8                       | 3.2                      | 7.8                       | 6.4                      |
| Income taxes                                                                    | 1.3                       | 1.1                      | 2.7                       | 2.3                      |
| Income on and equity in losses of joint ventures                                | 0.0                       | 0.0                      | 0.0                       | 0.0                      |
| Net income                                                                      | 2.5%                      | 2.1%                     | 5.1%                      | 4.1%                     |

Table of Contents**Net Sales (Three-Month Comparison)**

| (in thousands of dollars) | Three Months Ended |                  |            |
|---------------------------|--------------------|------------------|------------|
|                           | August 3,<br>2013  | July 28,<br>2012 | \$ Change  |
| <b>Net sales:</b>         |                    |                  |            |
| Retail operations segment | \$ 1,458,778       | \$ 1,456,025     | \$ 2,753   |
| Construction segment      | 21,074             | 31,900           | (10,826)   |
| Total net sales           | \$ 1,479,852       | \$ 1,487,925     | \$ (8,073) |

The percent change in the Company's sales by segment and product category for the three months ended August 3, 2013 compared to the three months ended July 28, 2012 as well as the sales percentage by segment and product category to total net sales for the three months ended August 3, 2013 is as follows:

|                                  | Three Months          |                   |
|----------------------------------|-----------------------|-------------------|
|                                  | % Change<br>2013-2012 | % of<br>Net Sales |
| Retail operations segment        |                       |                   |
| Cosmetics                        | (2.4)%                | 14%               |
| Ladies' apparel                  | (2.6)                 | 25                |
| Ladies' accessories and lingerie | 6.9                   | 16                |
| Juniors' and children's apparel  | 3.1                   | 8                 |
| Men's apparel and accessories    | 0.2                   | 17                |
| Shoes                            | 0.5                   | 14                |
| Home and furniture               | (4.4)                 | 5                 |
|                                  |                       | 99                |
| Construction segment             | (33.9)                | 1                 |
| Total                            |                       | 100%              |

Net sales from the retail operations segment increased \$2.8 million or 0% during the three months ended August 3, 2013 compared to the three months ended July 28, 2012 while sales in comparable stores increased 1% between the same periods. Sales of ladies' accessories and lingerie increased significantly over the prior year period, and sales of juniors' and children's apparel increased moderately. Sales of shoes increased slightly over the prior year period while sales of men's apparel and accessories remained essentially flat. Sales of cosmetics, ladies' apparel and home and furniture decreased moderately between the periods.

We believe that we may continue to see some sales growth in the retail operations segment during fiscal 2013 as compared to fiscal 2012; however, there is no guarantee of improved sales performance.

The number of sales transactions decreased 4% for the three months ended August 3, 2013 over the comparable prior year period while the average dollars per sales transaction increased 4%. We recorded an allowance for sales returns of \$6.7 million and \$7.6 million as of August 3, 2013 and July 28, 2012, respectively.

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During the three months ended August 3, 2013, net sales from the construction segment decreased \$10.8 million or 34% compared to the three months ended July 28, 2012 due to a shift in the timing of certain construction projects. We believe that sales in the construction segment for fiscal 2013 will be similar to fiscal 2012; however, there is no guarantee of this sales performance. The backlog of awarded construction contracts at August 3, 2013 totaled \$64.3 million.

Table of Contents**Net Sales (Six-Month Comparison)**

| (in thousands of dollars) | Six Months Ended  |                  | \$ Change  |
|---------------------------|-------------------|------------------|------------|
|                           | August 3,<br>2013 | July 28,<br>2012 |            |
| <b>Net sales:</b>         |                   |                  |            |
| Retail operations segment | \$ 2,988,778      | \$ 2,978,000     | \$ 10,778  |
| Construction segment      | 40,210            | 59,244           | (19,034)   |
| Total net sales           | \$ 3,028,988      | \$ 3,037,244     | \$ (8,256) |

The percent change in the Company's sales by segment and product category for the six months ended August 3, 2013 compared to the six months ended July 28, 2012 as well as the sales percentage by segment and product category to total net sales for the six months ended August 3, 2013 is as follows:

|                                  | % Change<br>2013-2012 | % of<br>Net Sales |
|----------------------------------|-----------------------|-------------------|
| Retail operations segment        |                       |                   |
| Cosmetics                        | (0.8)%                | 15%               |
| Ladies' apparel                  | (2.5)                 | 24                |
| Ladies' accessories and lingerie | 7.9                   | 15                |
| Juniors' and children's apparel  | 2.8                   | 9                 |
| Men's apparel and accessories    | (0.8)                 | 17                |
| Shoes                            | 1.2                   | 15                |
| Home and furniture               | (6.5)                 | 4                 |
|                                  |                       | 99                |
| Construction segment             | (32.1)                | 1                 |
| Total                            |                       | 100%              |

Net sales from the retail operations segment increased \$10.8 million or 0% during the six months ended August 3, 2013 compared to the six months ended July 28, 2012 while sales in comparable stores increased 1% between the same periods. Sales of ladies' accessories and lingerie increased significantly over the prior year period, and sales of juniors' and children's apparel increased moderately. Sales of shoes increased slightly over the prior year period while sales of cosmetics and men's apparel and accessories decreased slightly. Sales of ladies' apparel decreased moderately over the prior year period, and sales of home and furniture decreased significantly.

The number of sales transactions decreased 3% for the six months ended August 3, 2013 compared to the six months ended July 28, 2012 while the average dollars per sales transaction increased 3%.

Storewide sales penetration of exclusive brand merchandise for the six months ended August 3, 2013 was 21.4% compared to 21.9% during the six months ended July 28, 2012.

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During the six months ended August 3, 2013, net sales from the construction segment decreased \$19.0 million or 32% compared to the six months ended July 28, 2012 due to a shift in the timing of certain construction projects.



Table of Contents**Service Charges and Other Income**

| (in thousands of dollars)                       | Three Months Ended |                  | Six Months Ended  |                  | Three                            | Six                              |
|-------------------------------------------------|--------------------|------------------|-------------------|------------------|----------------------------------|----------------------------------|
|                                                 | August 3,<br>2013  | July 28,<br>2012 | August 3,<br>2013 | July 28,<br>2012 | Months<br>\$ Change<br>2013-2012 | Months<br>\$ Change<br>2013-2012 |
| <b>Service charges and other income:</b>        |                    |                  |                   |                  |                                  |                                  |
| Retail operations segment                       |                    |                  |                   |                  |                                  |                                  |
| Leased department income                        | \$ 2,159           | \$ 2,370         | \$ 4,404          | \$ 4,858         | \$ (211)                         | \$ (454)                         |
| Income from GE marketing and servicing alliance | 27,628             | 26,243           | 55,036            | 51,430           | 1,385                            | 3,606                            |
| Shipping and handling income                    | 4,674              | 4,355            | 9,457             | 8,707            | 319                              | 750                              |
| Other                                           | 2,476              | 4,254            | 8,279             | 8,901            | (1,778)                          | (622)                            |
|                                                 | 36,937             | 37,222           | 77,176            | 73,896           | (285)                            | 3,280                            |
| Construction segment                            | 7                  | 35               | 13                | 54               | (28)                             | (41)                             |
| Total service charges and other income          | \$ 36,944          | \$ 37,257        | \$ 77,189         | \$ 73,950        | \$ (313)                         | \$ 3,239                         |

Service charges and other income is composed primarily of income from the Alliance with GE. Income from the Alliance increased during the three months ended August 3, 2013 primarily due to increases in finance charge income. Income from the Alliance increased during the six months ended August 3, 2013 primarily due to increases in finance charges and decreased credit losses.

**Gross Profit**

| (in thousands of dollars) | August 3, 2013 | July 28, 2012 | \$ Change | % Change |
|---------------------------|----------------|---------------|-----------|----------|
| <b>Gross profit:</b>      |                |               |           |          |
| Three months ended        |                |               |           |          |
| Retail operations segment | \$ 501,417     | \$ 498,717    | \$ 2,700  | 0.5%     |
| Construction segment      | 1,613          | 1,406         | 207       | 14.7     |
| Total gross profit        | \$ 503,030     | \$ 500,123    | \$ 2,907  | 0.6%     |
| Six months ended          |                |               |           |          |
| Retail operations segment | \$ 1,111,306   | \$ 1,089,780  | \$ 21,526 | 2.0%     |
| Construction segment      | 3,075          | 2,749         | 326       | 11.9     |
| Total gross profit        | \$ 1,114,381   | \$ 1,092,529  | \$ 21,852 | 2.0%     |

| Gross profit as a percentage of segment net sales:     | Three Months Ended |               | Six Months Ended |               |
|--------------------------------------------------------|--------------------|---------------|------------------|---------------|
|                                                        | August 3, 2013     | July 28, 2012 | August 3, 2013   | July 28, 2012 |
| Retail operations segment                              | 34.4%              | 34.3%         | 37.2%            | 36.6%         |
| Construction segment                                   | 7.7                | 4.4           | 7.6              | 4.6           |
| <b>Total gross profit as a percentage of net sales</b> | <b>34.0</b>        | <b>33.6</b>   | <b>36.8</b>      | <b>36.0</b>   |

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Gross profit improved 40 basis points of sales during the three months ended August 3, 2013 compared to the three months ended July 28, 2012, and gross profit improved 80 basis points during the six months ended August 3, 2013 compared to the six months ended July 28, 2012.

During the three months ended August 3, 2013 compared to the three months ended July 28, 2012, gross profit from retail operations improved 10 basis points of sales as a result of decreased markdowns partially offset by decreased markups. Gross margin improved moderately in men's apparel and accessories and improved slightly in juniors' and children's apparel while gross margin in ladies' apparel remained essentially flat. Gross margin declined slightly in shoes and cosmetics and declined moderately in ladies' accessories and lingerie and home and furniture.

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During the six months ended August 3, 2013 compared to the six months ended July 28, 2012, gross profit from retail operations improved 60 basis points of sales as a result of decreased markdowns partially offset by decreased markups. Gross margin improved moderately in men's apparel and accessories and home and furniture and improved slightly in juniors' and children's apparel while gross margin remained essentially flat in ladies' apparel and ladies' accessories and lingerie. Gross margin declined slightly in cosmetics and shoes.

Inventory in total and comparable stores increased 7% and 8%, respectively, as of August 3, 2013 compared to July 28, 2012. A 1% change in the dollar amount of markdowns would have impacted net income by approximately \$3 million and \$4 million for the three and six months ended August 3, 2013, respectively.

We believe that gross profit from retail operations will improve slightly during fiscal 2013 as compared to fiscal 2012; however, there is no guarantee of improved gross profit performance.

### **Selling, General and Administrative Expenses ( SG&A )**

| (in thousands of dollars) | August 3, 2013 |                | July 28, 2012 |                | \$ Change         | % Change      |
|---------------------------|----------------|----------------|---------------|----------------|-------------------|---------------|
| <b>SG&amp;A:</b>          |                |                |               |                |                   |               |
| Three months ended        |                |                |               |                |                   |               |
| Retail operations segment | \$             | 397,125        | \$            | 397,551        | \$ (426)          | (0.1)%        |
| Construction segment      |                | 1,093          |               | 1,237          | (144)             | (11.6)        |
| <b>Total SG&amp;A</b>     | <b>\$</b>      | <b>398,218</b> | <b>\$</b>     | <b>398,788</b> | <b>\$ (570)</b>   | <b>(0.1)%</b> |
| Six months ended          |                |                |               |                |                   |               |
| Retail operations segment | \$             | 786,220        | \$            | 789,600        | \$ (3,380)        | (0.4)%        |
| Construction segment      |                | 2,194          |               | 2,426          | (232)             | (9.6)         |
| <b>Total SG&amp;A</b>     | <b>\$</b>      | <b>788,414</b> | <b>\$</b>     | <b>792,026</b> | <b>\$ (3,612)</b> | <b>(0.5)%</b> |

|                                                       | Three Months Ended |               | Six Months Ended |               |
|-------------------------------------------------------|--------------------|---------------|------------------|---------------|
|                                                       | August 3, 2013     | July 28, 2012 | August 3, 2013   | July 28, 2012 |
| <b>SG&amp;A as a percentage of segment net sales:</b> |                    |               |                  |               |
| Retail operations segment                             | 27.2%              | 27.3%         | 26.3%            | 26.5%         |
| Construction segment                                  | 5.2                | 3.9           | 5.5              | 4.1           |
| <b>Total SG&amp;A as a percentage of net sales</b>    | <b>26.9</b>        | <b>26.8</b>   | <b>26.0</b>      | <b>26.1</b>   |

SG&A increased 10 basis points of sales during the three months ended August 3, 2013 compared to the three months ended July 28, 2012 while total SG&A dollars decreased \$0.6 million. The decrease in SG&A dollars is primarily due to a decrease in services purchased (\$2.3 million) and advertising expenses (\$2.2 million) partially offset by increases in payroll (\$2.2 million), primarily of selling payroll.

SG&A decreased \$3.6 million or 10 basis points of sales during the six months ended August 3, 2013 compared to the six months ended July 28, 2012. The dollar decrease was most noted in advertising expense (\$5.2 million) and insurance (\$1.8 million) partially offset by increases in payroll (\$6.0 million), primarily of selling payroll. During the six months ended August 3, 2013, the Company also recorded a \$1.5 million

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pretax credit to pension expense for a gain from a pension plan curtailment.

We believe that SG&A will improve slightly as a percentage of sales during fiscal 2013 as compared to fiscal 2012; however, there is no guarantee of improved SG&A performance.

Table of Contents**Rentals**

| (in thousands of dollars) | August 3, 2013 | July 28, 2012 | \$ Change  | % Change |
|---------------------------|----------------|---------------|------------|----------|
| <b>Rentals:</b>           |                |               |            |          |
| Three months ended        |                |               |            |          |
| Retail operations segment | \$ 5,523       | \$ 8,629      | \$ (3,106) | (36.0)%  |
| Construction segment      | 9              | 12            | (3)        | (25.0)   |
| Total rentals             | \$ 5,532       | \$ 8,641      | \$ (3,109) | (36.0)%  |
| Six months ended          |                |               |            |          |
| Retail operations segment | \$ 11,081      | \$ 16,880     | \$ (5,799) | (34.4)%  |
| Construction segment      | 22             | 26            | (4)        | (15.4)   |
| Total rentals             | \$ 11,103      | \$ 16,906     | \$ (5,803) | (34.3)%  |

The decrease in rental expense for the three and six months ended August 3, 2013 compared to the three and six months ended July 28, 2012 was primarily due to a reduction in the amount of equipment leased by the Company.

We believe that rental expense will decline during fiscal 2013, with a current projected reduction of \$8 million from fiscal 2012, primarily as a result of the expiration of certain equipment leases.

**Interest and Debt Expense, Net**

| (in thousands of dollars)                       | August 3, 2013 | July 28, 2012 | \$ Change  | % Change |
|-------------------------------------------------|----------------|---------------|------------|----------|
| <b>Interest and debt expense (income), net:</b> |                |               |            |          |
| Three months ended                              |                |               |            |          |
| Retail operations segment                       | \$ 16,262      | \$ 17,708     | \$ (1,446) | (8.2)%   |
| Construction segment                            | (16)           | (35)          | 19         | 54.3     |
| Total interest and debt expense, net            | \$ 16,246      | \$ 17,673     | \$ (1,427) | (8.1)%   |
| Six months ended                                |                |               |            |          |
| Retail operations segment                       | \$ 32,592      | \$ 35,199     | \$ (2,607) | (7.4)%   |
| Construction segment                            | (36)           | (71)          | 35         | 49.3     |
| Total interest and debt expense, net            | \$ 32,556      | \$ 35,128     | \$ (2,572) | (7.3)%   |

The decrease in net interest and debt expense for the three and six months ended August 3, 2013 compared to the three and six months ended July 28, 2012 was primarily attributable to lower average debt levels. Total weighted average debt decreased approximately \$49.1 million and \$61.8 million for the three and six months ended August 3, 2013 compared to the three and six months ended July 28, 2012, respectively.

**Gain on Disposal of Assets**

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| (in thousands of dollars)          | August 3, 2013 |        | July 28, 2012 |       | \$ Change |
|------------------------------------|----------------|--------|---------------|-------|-----------|
| <b>Gain on disposal of assets:</b> |                |        |               |       |           |
| Three months ended                 |                |        |               |       |           |
| Retail operations segment          | \$             | 24     | \$            | 141   | \$(117)   |
| Construction segment               |                |        |               | 1     | (1)       |
| Total gain on disposal of assets   | \$             | 24     | \$            | 142   | \$(118)   |
| Six months ended                   |                |        |               |       |           |
| Retail operations segment          | \$             | 12,362 | \$            | 1,138 | \$11,224  |
| Construction segment               |                | 7      |               | 1     | 6         |
| Total gain on disposal of assets   | \$             | 12,369 | \$            | 1,139 | \$11,230  |

During the six months ended August 3, 2013, the Company received proceeds of \$15.7 million from the sale of its investment in Acumen Brands, an eCommerce company based in Fayetteville, Arkansas. The sale resulted in a gain of \$11.7 million that was recorded in gain on disposal of assets.

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During the six months ended August 3, 2013, the Company also received proceeds of \$1.7 million from the sale of two former retail stores located in Oklahoma City, Oklahoma and Pasadena, Texas that were held for sale, resulting in a gain of \$0.6 million that was recorded in gain on disposal of assets.

During the six months ended July 28, 2012, the Company received proceeds of \$7.8 million from the sales of two former retail stores located in Cincinnati, Ohio and Antioch, Tennessee that were held for sale and one building that was formerly a portion of a currently operating retail location, resulting in a net gain of \$0.9 million.

**Asset Impairment and Store Closing Charges**

| (in thousands of dollars)                          | August 3, 2013 | July 28, 2012 | \$ Change |
|----------------------------------------------------|----------------|---------------|-----------|
| <b>Asset impairment and store closing charges:</b> |                |               |           |
| Six months ended                                   |                |               |           |
| Retail operations segment                          | \$ 6,527       | \$            | 6,527     |
| Construction segment                               |                |               |           |
| Total asset impairment and store closing charges   | \$ 6,527       | \$            | 6,527     |

There were no asset impairment and store closing charges recorded during the three months ended August 3, 2013 and during the three and six months ended July 28, 2012.

During the six months ended August 3, 2013, the Company recorded a pretax charge of \$6.5 million for asset impairment and store closing costs. The charge was for the write-down of an operating property and certain cost method investments.

**Income Taxes**

The Company's estimated federal and state income tax rate, inclusive of income on and equity in losses of joint ventures, was approximately 35.0% and 35.8% for the three months ended August 3, 2013 and July 28, 2012, respectively. During the three months ended August 3, 2013, income tax expense differed from what would be computed using the statutory federal tax rate primarily due to the effect of state and local income taxes partially offset by tax benefits recognized for federal tax credits. During the three months ended July 28, 2012, income tax expense differed from what would be computed using the statutory federal tax rate primarily due to the effect of state and local income taxes.

The Company's estimated federal and state income tax rate, inclusive of income on and equity in losses of joint ventures, was approximately 35.1% and 35.8% for the six months ended August 3, 2013 and July 28, 2012, respectively. During the six months ended August 3, 2013, income tax expense differed from what would be computed using the statutory federal tax rate primarily due to the effect of state and local income taxes partially offset by tax benefits recognized for federal tax credits. During the six months ended July 28, 2012, income tax expense differed from what would be computed using the statutory federal tax rate primarily due to the effect of state and local income taxes partially offset by a benefit due to net decreases in unrecognized tax benefits primarily related to statute lapses.

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The Company expects the fiscal 2013 federal and state effective income tax rate to approximate 35%. This rate may change if results of operations for fiscal 2013 differ from management's current expectations. Changes in the Company's assumptions and judgments can materially affect amounts recognized in the condensed consolidated balance sheets and statements of income.



Table of Contents**FINANCIAL CONDITION**

A summary of net cash flows for the six months ended August 3, 2013 and July 28, 2012 follows:

| (in thousands of dollars) | Six Months Ended |               | \$ Change   |
|---------------------------|------------------|---------------|-------------|
|                           | August 3, 2013   | July 28, 2012 |             |
| Operating Activities      | \$ 131,720       | \$ 152,821    | \$ (21,101) |
| Investing Activities      | (22,599)         | (78,857)      | 56,258      |
| Financing Activities      | (119,446)        | (135,703)     | 16,257      |
| Total Cash Used           | \$ (10,325)      | \$ (61,739)   | \$ 51,414   |

Net cash flows from operations decreased \$21.1 million during the six months ended August 3, 2013 compared to the six months ended July 28, 2012. This decline was primarily attributable to a decrease of \$47.3 million related to changes in working capital items, primarily of increases of inventories partially offset by decreases in income taxes payable. This decline was partially offset by an increase in net income, as adjusted for non-cash items, of \$26.2 million.

GE owns and manages Dillard's branded proprietary credit card business under the Alliance that expires in late fiscal 2014. The Alliance provides for certain payments to be made by GE to the Company, including a revenue sharing and marketing reimbursement. The Company received income of approximately \$55.0 million and \$51.4 million from GE during the six months ended August 3, 2013 and July 28, 2012, respectively. While future cash flows under this Alliance are difficult to predict, the Company expects income from the Alliance to improve moderately during fiscal 2013 compared to fiscal 2012. The amount the Company receives is dependent on the level of sales on GE accounts, the level of balances carried on the GE accounts by GE customers, payment rates on GE accounts, finance charge rates and other fees on GE accounts, the level of credit losses for the GE accounts as well as GE's funding costs.

During the six months ended August 3, 2013, the Company received proceeds of \$15.7 million from the sale of its investment in Acumen Brands, an eCommerce company based in Fayetteville, Arkansas. The sale resulted in a gain of \$11.7 million that was recorded in gain on disposal of assets.

During the six months ended August 3, 2013, the Company also received proceeds of \$1.7 million from the sale of two former retail stores located in Oklahoma City, Oklahoma and Pasadena, Texas that were held for sale, resulting in a gain of \$0.6 million that was recorded in gain on disposal of assets.

During the six months ended July 28, 2012, the Company received proceeds of \$7.8 million from the sales of two former retail stores located in Cincinnati, Ohio and Antioch, Tennessee that were held for sale and one building that was formerly a portion of a currently operating retail location, resulting in a net gain of \$0.9 million.

Capital expenditures were \$40.9 million and \$86.7 million for the six months ended August 3, 2013 and July 28, 2012, respectively. The current year expenditures were primarily for the remodeling of existing stores. Capital expenditures for fiscal 2013 are expected to be approximately

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\$125 million compared to actual expenditures of \$137 million during fiscal 2012. While there are no planned store openings for fiscal 2013, we expect to begin construction of two new stores later this year at the The Mall at University Town Center in Sarasota, Florida (180,000 square feet) and The Shops at Summerlin in Las Vegas, Nevada (200,000 square feet), both of which are expected to open during the third quarter of fiscal 2014.

During the six months ended August 3, 2013, we closed our Cache Valley Mall location in Logan, Utah (94,000 square feet) and our Randolph Mall location in Asheboro, North Carolina (60,000 square feet). We have also announced the upcoming closure of our Euclid Square Mall location in Euclid, Ohio (50,000 square feet), which is expected to close during the third quarter of fiscal 2013 with minimal closing costs. We remain committed to closing under-performing stores where appropriate and may incur future closing costs related to these stores when they close.

The Company had cash on hand of approximately \$113.7 million as of August 3, 2013. As part of our overall liquidity management strategy and for peak working capital requirements, the Company maintains a \$1.0 billion credit facility. During the six months ended August 3, 2013, the Company amended and extended this credit facility, reducing the unused commitment fee from the previous agreement and extending the facility's expiration to July 1, 2018.

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Limited to 90% of the inventory of certain Company subsidiaries, availability for borrowings and letter of credit obligations under the credit agreement was \$982.3 million at August 3, 2013. No borrowings were outstanding at August 3, 2013. Letters of credit totaling \$47.2 million were issued under this credit agreement leaving unutilized availability under the facility of approximately \$935 million at August 3, 2013. Borrowings of \$24.0 million were outstanding at July 28, 2012.

During the six months ended August 3, 2013, the Company repurchased 1.4 million shares of stock for \$114.7 million at an average price of \$79.12 per share under the Company's 2013 and 2012 Stock Plans. During the six months ended July 28, 2012, the Company repurchased 2.5 million shares of stock for \$162.1 million (including the accrual of \$9.0 million of share repurchases that had not settled as of July 28, 2012) at an average price of \$64.21 per share under its 2012 and May 2011 Stock Plans. At August 3, 2013, no authorization remained under the 2012 and May 2011 Stock Plans, and \$227.3 million of authorization remained under the Company's 2013 Stock Plan. The ultimate disposition of the repurchased stock has not been determined.

The Company paid dividends of \$2.3 million and \$5.0 million during the six months ended August 3, 2013 and July 28, 2012, respectively. Historically, our dividends declared during the fourth quarter of a fiscal year were paid during the first quarter of the following fiscal year; however, the dividends declared during the fourth quarter of fiscal 2012 were expedited and paid during that same quarter.

During fiscal 2013, the Company expects to finance its capital expenditures and its working capital requirements, including stock repurchases, from cash on hand, cash flows generated from operations and utilization of the credit facility. The Company expects peak borrowings for fiscal 2013 to be at similar levels as fiscal 2012. Depending on conditions in the capital markets and other factors, the Company will from time to time consider other possible financing transactions, the proceeds of which could be used to refinance current indebtedness or for other corporate purposes.

There have been no material changes in the information set forth under caption "Contractual Obligations and Commercial Commitments" in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, in the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2013.

**OFF-BALANCE-SHEET ARRANGEMENTS**

The Company has not created, and is not party to, any special-purpose entities or off-balance-sheet arrangements for the purpose of raising capital, incurring debt or operating the Company's business. The Company does not have any off-balance-sheet arrangements or relationships that are reasonably likely to materially affect the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or the availability of capital resources.

**NEW ACCOUNTING STANDARDS**

*Presentation of Comprehensive Income*

In February 2013, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, which requires the Company to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income on the Company's consolidated statement of comprehensive income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. This update does not change the current requirements for reporting net income or other comprehensive income in the consolidated financial statements of the Company, but does require the Company to provide information about the amounts reclassified out of accumulated other comprehensive income by component. The provisions in this update were effective prospectively beginning with the Company's first quarter of 2013. The adoption of this update affected the format and presentation of the Company's consolidated financial statements and the footnotes thereto but did not have any other impact on the Company's financial statements.

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*Guidance on Financial Statement Presentation of Unrecognized Tax Benefit*

In July 2013, the FASB issued ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*, which provides explicit presentation guidelines. Under this ASU, an unrecognized tax benefit, or portion thereof, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward except when specific conditions are met as outlined in the ASU. When these specific conditions are met, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013, and should be applied prospectively to all unrecognized tax benefits that exist at the effective date. The adoption of this update is not expected to have a material impact on our consolidated financial statements.

**FORWARD-LOOKING INFORMATION**

This report contains certain forward-looking statements. The following are or may constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995: (a) statements including words such as may, will, could, , should, believe, expect, potential, anticipate, intend, plan, estimate, continue, or the negative or other variations thereof; (b) statements regarding matters that are historical facts; and (c) statements about the Company's future occurrences, plans and objectives, including statements regarding management's expectations and forecasts for the remainder of fiscal 2013 and fiscal 2014. The Company cautions that forward-looking statements contained in this report are based on estimates, projections, beliefs and assumptions of management and information available to 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 include (without limitation) 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, including the effect of changes in prices and availability of oil and natural gas; the availability of consumer credit; the impact of competitive pressures in the department store industry and other retail channels including specialty, off-price, discount and Internet retailers; changes in consumer spending patterns, debt levels and their ability to meet credit obligations; changes in legislation, affecting such matters as the cost of employee benefits or credit card income; adequate and stable availability of materials, production facilities and labor from which the Company sources its merchandise at acceptable pricing; changes in operating expenses, including employee wages, commission structures and related benefits; system failures or data security breaches; possible future acquisitions of store properties from other department store operators; the continued availability of financing in amounts and at the terms necessary to support the Company's future business; fluctuations in LIBOR and other base borrowing rates; potential disruption from terrorist activity and the effect on ongoing consumer confidence; epidemic, pandemic or other public health issues; potential disruption of international trade and supply chain efficiencies; world conflict and the possible impact on consumer spending patterns and other economic and demographic changes of similar or dissimilar nature. The Company's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended February 2, 2013, contain other information on factors that may affect financial results or cause actual results to differ materially from forward-looking statements.

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**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes in the information set forth under caption Item 7A-Quantitative and Qualitative Disclosures About Market Risk in the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2013.

**Item 4. Controls and Procedures**

The Company has established and maintains disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). The Company's management, with the participation of our CEO and CFO, has evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the fiscal quarter covered by this quarterly report, and based on that evaluation, the Company's CEO and CFO have concluded that these disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting that occurred during the fiscal quarter ended August 3, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

From time to time, the Company is involved in litigation relating to claims arising out of the Company's operations in the normal course of business. This may include litigation with customers, employment related lawsuits, class action lawsuits, purported class action lawsuits and actions brought by governmental authorities. As of September 3, 2013, the Company is not a party to any legal proceedings that, individually or in the aggregate, are reasonably expected to have a material adverse effect on the Company's business, results of operations, financial condition or cash flows.

**Item 1A. Risk Factors**

There have been no material changes in the information set forth under caption "Item 1A-Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2013.

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### **Item 6. Exhibits**

| <b>Number</b> | <b>Description</b>                                                                                                                                                                                                                                                      |
|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| *3            | By-Laws of Dillard s, Inc., as amended, as currently in effect (previously filed as Exhibit 3 to Current Report on Form 8-K dated as of August 20, 2013 in File No. 1-6140).                                                                                            |
| *10.1         | First Amendment to Second Amended and Restated Credit Agreement between Dillard s, Inc. and JPMorgan Chase Bank, N.A. as agent for a syndicate of lenders (previously filed as Exhibit 10.1 to Current Report on Form 8-K dated as of July 3, 2013 in File No. 1-6140). |
| 31.1          | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.                                                                                                                                                                     |
| 31.2          | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.                                                                                                                                                                     |
| 32.1          | Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).                                                                                                                                                    |
| 32.2          | Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).                                                                                                                                                    |
| 101.INS       | XBRL Instance Document                                                                                                                                                                                                                                                  |
| 101.SCH       | XBRL Taxonomy Extension Schema Document                                                                                                                                                                                                                                 |
| 101.CAL       | XBRL Taxonomy Extension Calculation Linkbase Document                                                                                                                                                                                                                   |
| 101.DEF       | XBRL Taxonomy Extension Definition Linkbase Document                                                                                                                                                                                                                    |
| 101.LAB       | XBRL Taxonomy Extension Label Linkbase Document                                                                                                                                                                                                                         |
| 101.PRE       | XBRL Taxonomy Extension Presentation Linkbase Document                                                                                                                                                                                                                  |

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\* Incorporated by reference as indicated.

### **SIGNATURES**

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

DILLARD S, INC.  
(Registrant)

Date: September 3, 2013

/s/ James I. Freeman  
James I. Freeman  
Senior Vice President and Chief Financial Officer



