

# *Zale Corporation*



*2003 Annual Report*

## Financial Highlights 2003

(Amounts in thousands, except per share amounts)

	2003	2002	2001	2000	1999
<b>TOTAL REVENUES</b> <sup>(1)</sup> . . . . .	\$ 2,212,241	\$ 2,191,727	\$ 2,087,199	\$ 1,834,090	\$ 1,466,146
<b>ADJUSTED OPERATING EARNINGS</b> <sup>(2)</sup> . . . . .	\$ 163,224	\$ 168,449	\$ 170,202	\$ 210,418	\$ 159,923
<b>NET EARNINGS</b>					
Excludes unusual items, special inventory charge, debt retirement and effect of accounting change <sup>(3)</sup> . . . . .	\$ 99,396	\$ 101,883	\$ 100,467	\$ 111,514	\$ 80,932
Includes unusual items, special inventory charge, debt retirement and effect of accounting change . . . . .	\$ (40,645)	\$ 143,932	\$ 82,048	\$ 111,514	\$ 80,932
<b>EARNINGS PER SHARE</b>					
Excludes unusual items, special inventory charge and effect of accounting change . . . . .	\$ 3.08	\$ 2.92	\$ 2.89	\$ 3.11	\$ 2.21
Includes unusual items, special inventory charge and effect of accounting change . . . . .	\$ (1.26)	\$ 4.13	\$ 2.36	\$ 3.11	\$ 2.21
<b>FREE OPERATING CASH FLOW</b> <sup>(4)</sup> . . . . .	\$ 121,241	\$ 124,756	\$ (481)	\$ 65,516	\$ 23,549

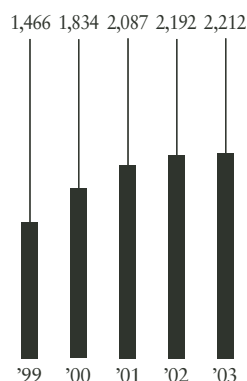
(1) Total revenues includes net sales as well as insurance revenue, previously netted in selling, general and administrative expenses. All periods have been restated to reflect the change.

(2) Excludes unusual items of \$136,300 of goodwill impairment in 2003, \$2,300, or \$1,446 net of tax, for executive transactions and (\$3,502), or (\$2,208) net of tax for a retiree medical plan curtailment gain in 2002, and \$25,236, or \$15,520 net of tax related to a special inventory charge and \$4,713, or \$2,899 net of tax for executive transactions in 2001.

(3) Excludes the unusual charges described above, costs of early retirement of debt of \$5,910 in 2003, or \$3,741 net of taxes, and the effect of a change in accounting principle of \$41,287 in 2002.

(4) Free operating cash flow is net cash provided by operating activities less net capital expenditures. For more complete cash flow information, including a presentation of net cash from operating activities, financing activities and investing activities in accordance with GAAP, and reconciliation information for free operating cash flow, see "Selected Financial Data."

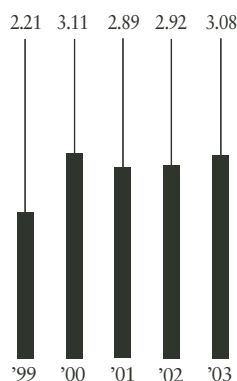
**Total Revenues**<sup>(1)</sup>  
(dollars in millions)



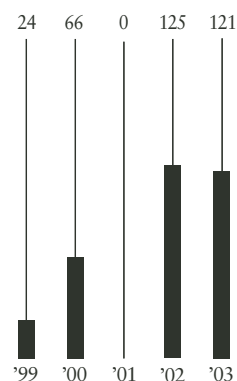
**EPS**

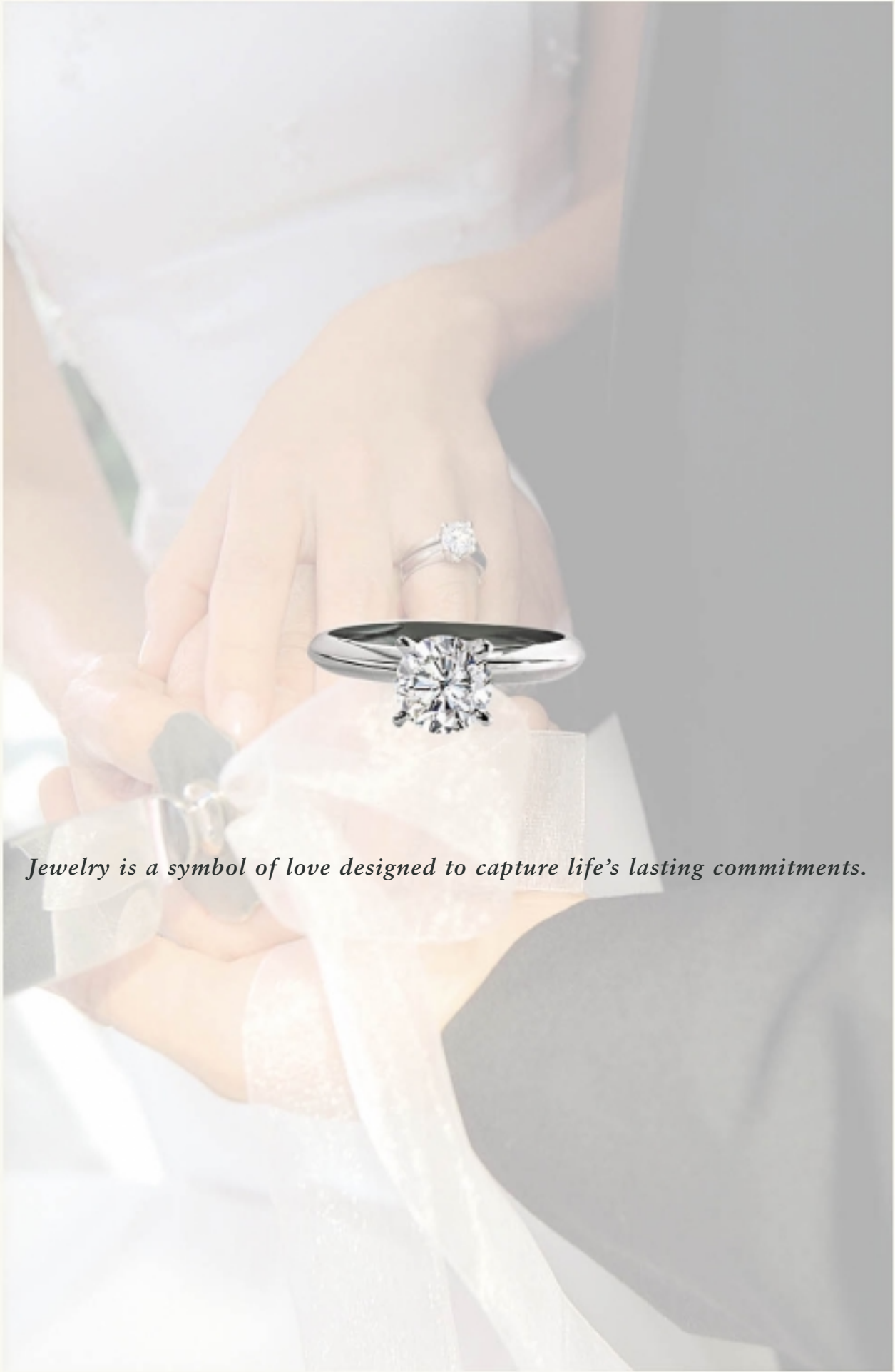
(in dollars)

Excludes unusual items, special inventory charge, debt retirement and effect of accounting change



**Free Operating Cash Flow**  
(dollars in millions)





*Jewelry is a symbol of love designed to capture life's lasting commitments.*



Dear Shareholders,

Fiscal 2003 was a year of progress as we strengthened our foundation in a number of key areas and established the framework for future growth. We have positioned the business and its infrastructure to allow us to maximize the many opportunities ahead. Fiscal 2003 was also a year full of its own set of external challenges. Despite these difficult operating conditions, we executed our strategy, staying focused on our long-term goals. We achieved our objective of keeping the business stable and on track, while maintaining our commitment to creating shareholder value. By staying flexible in our approach to the business and making the necessary adjustments, we were able to deliver both revenue growth and a solid return on investment to our shareholders this year.

In 2003, we successfully built upon our solid base while embarking on a number of initiatives designed to lengthen our lead as the best specialty jeweler in North America. During the year, we maintained our strong disciplines and continued on an orderly growth plan that took into consideration the volatile external environment. We again maximized our opportunities during the key gift-giving periods by capitalizing on our merchandise and marketing strengths. We continue to demonstrate that with our strong brand dominance, we can drive traffic into our stores. Once in our stores, we can convert that traffic into sales with knowledgeable, well-trained store associates along with quality merchandise assortments that feature a distinctive selection of both fashion-forward and timeless pieces.

During the year, progress continued on the development of the core bridal business as evident by our 7% sales increase over last year in this category. The bridal business was enhanced, along with the further differentiation of the brands, through the launch of several new branding initiatives. This included the expansion of The Zales Diamond® Collection to the Zales Anniversary band and Zales Diamond three-stone ring, the launch of The Gordon's Diamond® solitaire and three-stone ring and the successful introduction of the Peoples Diamond™ in Canada. The introduction of these proprietary stones along with a further emphasis on product categories and merchandise assortments led to a sales increase of almost 9% this year in our diamond solitaire business.

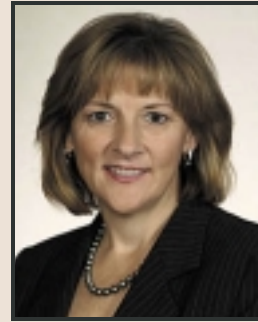
Business disciplines remained firmly in place as we improved on our industry-leading position in a number of categories. At 0.5% of sales, we had our best year ever in terms of internal and external losses. This represented 30 basis points of improvement from the prior year. Our continued emphasis on store operational controls contributed another 10 basis points of improvement from last year. We also improved on the cost of distribution, further reducing this expense through additional efficiencies and enhanced processes.

The kiosk business, Piercing Pagoda, has also undergone some significant adjustments. A combination of internal and external factors inhibited our performance in the first half of the year; however, we responded by expanding our assortment of lower price point merchandise, such as earrings, charms, and body jewelry, along with increasing the silver and diamond accent product in our mix. We also have taken steps at Pagoda to align all areas of the business and have made changes in the organizational structure to improve productivity. Finally, we launched our new kiosk design, already in 70 locations, which strengthens brand equity and improves operating efficiency. The early results from these initiatives have been positive, and we are confident in the long-term potential of this business.

While maintaining our performance, we are also positioning our infrastructure for long-term growth. Direct product sourcing is pivotal to achieve improved gross margins and enhanced revenues. By sourcing basic diamond and gold merchandise, we believe there is a tremendous opportunity to leverage our size, use our brand strength and increase our competitive edge.

We also have dedicated resources to improving effectiveness in our marketing function. Through the investment in a new marketing analysis system and the establishment of a database marketing team, we are improving our knowledge of customer types and their needs along with sharpening the differentiation of the brands. Additionally, a new clienteling system is enhancing the marketing focus on the customer by further establishing a personal bond and creating direct mail opportunities.

We have established an information technology strategy to support our long-range vision. We are committed to making the appropriate systems investments that allow us to adapt to new technologies while achieving efficiencies and gaining a competitive business advantage. We already have invested in systems that will enable



us to better manage inventory both at the store level and in the distribution center, streamline administrative processes through point-of-sale enhancements which include store connectivity, and improve our productivity through a system designed to better forecast demand.

We continued with our prudent financial management in Fiscal 2003. Free operating cash flow remained strong as we again generated over \$120 million and kept inventories in line with sales trends. We achieved over a 5% improvement to earnings per share before unusual items this year in a difficult retail environment. This was supported by our ongoing commitment to creating shareholder value with the repurchase of nearly 20% of our outstanding common stock. In addition to share repurchases, we used our solid cash position and strong balance sheet to make changes in our capital structure that provide the Company with very attractive funding costs. We believe the strength of our balance sheet, combined with a new five-year, \$500 million bank credit facility, gives us both the liquidity and flexibility to take advantage of future opportunities to expand our market leadership.

As we enter Fiscal 2004, we are still cautiously optimistic regarding the external environment; however, our ability to gain market share in these difficult times confirms the strength of our brands and our long-term strategy. We will continue to focus on finding additional ways to serve our customers and to grow our business. One of these new avenues of growth will be the expansion of the Zales Outlet concept into value-oriented shopping centers. Through this new venue we will become a neighborhood jeweler, allowing us to better meet the needs of our customers as well as further leverage the Zales brand. With its strong brand recognition and value appeal, this new format will drive additional traffic from the consumer who currently shops off the mall and desires that convenient shopping experience. We are testing this new concept in fiscal 2004, anticipating Zales Outlet to be a growth vehicle for the next several years as we continue to diversify our portfolio.

Also in the coming year, we will further enhance the quality and assortment of our diamond product through direct sourcing. We will purchase cut and polished stones as well as the settings, and begin to assemble diamond solitaire product for our stores. Sourcing will begin slowly, with only one of our brands, as we fine-tune the processes before implementation to the entire organization. Additionally, to ensure our customers' needs are met, this year we will expand our investment in our sales associates through additional training and development. Areas of emphasis will include enhanced diamond training and clientele development in our stores. Finally, we will make selecting the right gift easy by using our increased customer knowledge to make adjustments in our marketing and brand positioning.

In closing, we would like to extend our sincere appreciation to all of our Zale associates, the Board of Directors and our shareholders for their continued support. With a solid foundation and exciting opportunities ahead, we are closer to our goal of making Zale Corporation the best specialty retailer in North America.

A handwritten signature in black ink, appearing to read "Mary L. Forté".

MARY L. FORTÉ  
*President and Chief Executive Officer*

A handwritten signature in black ink, appearing to read "Sue E. Gove".

SUE E. GOVE  
*Executive Vice President and Chief Operating Officer*





## *Life's Opportunities*

*Throughout all of life's momentous occasions,  
we are there...sharing that special something  
which will be remembered forever.*

We are North America's largest and most diversified specialty jeweler. Our portfolio includes a collection of the strongest brands in the jewelry business anchored by the flagship Zales Jewelers. But we are much more than that. Our breadth of coverage is unmatched from the opening price point at Piercing Pagoda to high-end luxury selections at Bailey Banks & Biddle and all points in between.

With this diversification and size comes opportunity—opportunity to extend our reach and continue to grow our market share. To achieve these goals, we will execute our proven strategy that starts with maximizing our merchandising strengths. As the industry leader, we continue to set the standard for delivering innovative and creative products to our customers. Zale's proven ability to capitalize on evolving merchandise trends is what differentiates us from the competition.

But it does not stop there.

We continue to challenge ourselves in every aspect of the business. By setting our standards high, we will find new and better ways to meet our customers' needs and to take our business to an even higher level.

Identifying additional avenues to leverage our brands, further utilizing our core competencies and developing stronger customer relations will open new windows of opportunity as we look to the future.









## *Shared Opportunities*

*There is no greater feeling in this world  
than making someone's dream come true.*

Size has its advantages. We exploit this competitive edge by leveraging the size and strength of our brands.

This positioning is being enhanced through our ability to source product more directly. We are capitalizing on the commodity nature of the merchandise, especially in basic product such as gold chain and diamond stud earrings where minimal labor costs and fashion risk exist. In the jewelry industry, where the brand is the retailer, product sourcing is one more way we are leveraging our brands. Plus, by tapping into an experienced group of people within the organization to lead these efforts, we continue to maximize the talents of the corporation. As we look toward the future, there is tremendous opportunity through direct sourcing to improve gross margins and utilize our size to be even more competitive.

We also look to extend our reach by leveraging our most powerful brand, Zales Jewelers, through the expansion of the already successful Zales Outlet concept. Utilizing the extensive marketing of the Zales brand, the outlet concept has strong brand recognition while building its own loyal customer base. We believe Zales Outlet has further growth potential into additional value-oriented shopping center footprints across the country. It is a natural extension of this business, between the mall and the outlet centers, for the customer who wants the convenience of destination shopping while still seeking a value. This new format will continue leveraging the Zales brand and drive additional traffic.

By leveraging our size, flexibility and brand strength, we are creating new opportunities for growth and new opportunities for our customers. This is being achieved while lowering costs and improving our competitive advantage.



*With an extensive merchandise assortment,  
supported by a knowledgeable sales force,  
we are helping make memories that last a lifetime.*

In today's world, where one size rarely fits all, Zale is positioning itself to meet the needs of its individual customers.

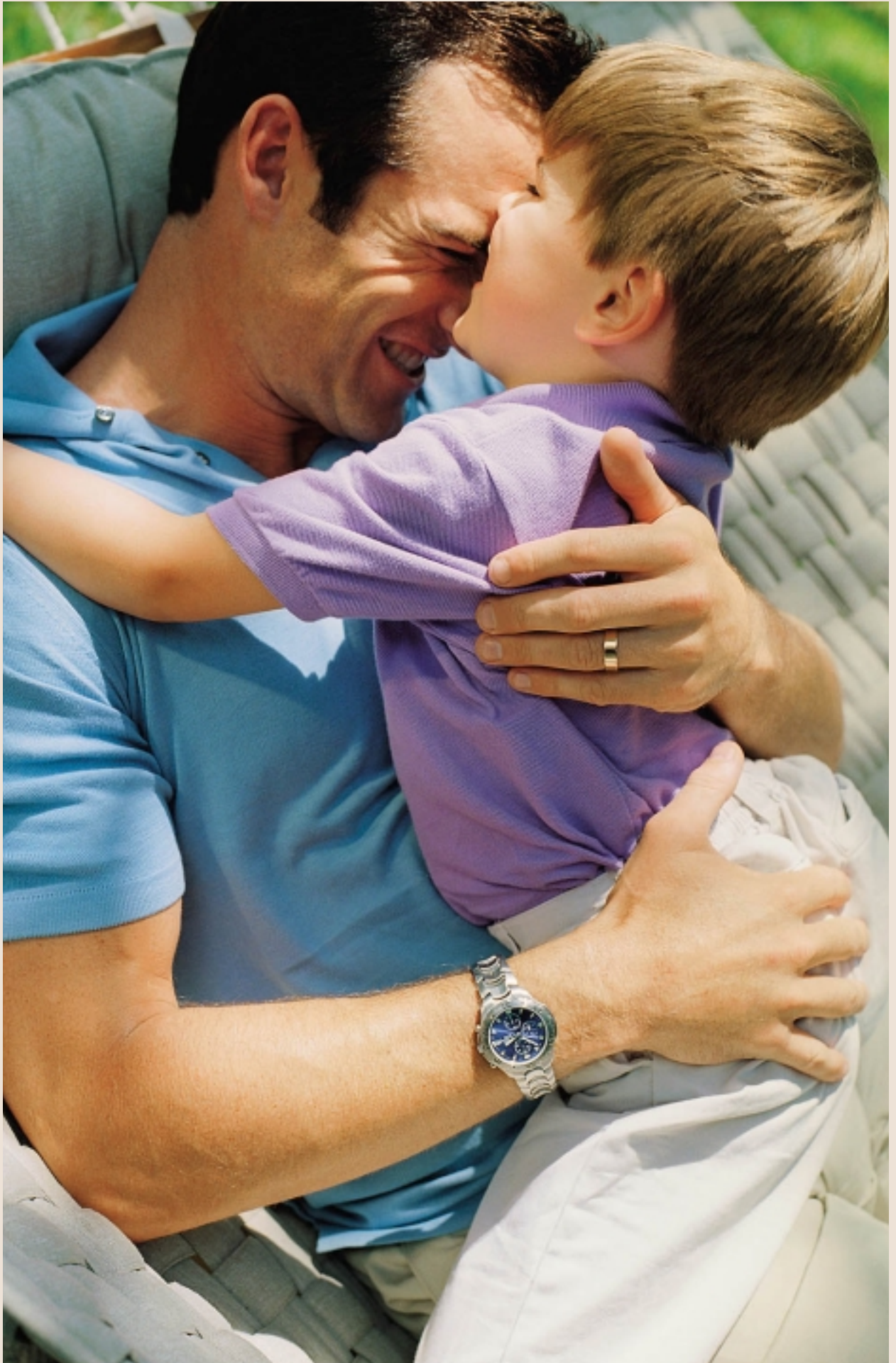
In 2003, we heightened our emphasis on customer relationship management by making marketing a corporate focus and a strategic function of the Company. By investing in a new marketing analysis system and establishing a database marketing team, we are improving our knowledge of customer demographics and behavior. We will use this data to better predict customer response to our offers as well as in more advanced customer retention modeling. This modeling expertise will allow us to maximize the 18 million existing customer names in addition to establishing new relationships. We will be able to create and execute targeted communications that will improve our market effectiveness while positioning us to better meet the needs of each customer segment.

In addition to more targeted communications, we are also increasing the number of marketing impressions made with each consumer. By leveraging our brands to reduce print and media costs, we are able to channel a portion of the expense savings back into advertising.

To ensure that our customer relationships continue to grow, we have improved our clienteling efforts. By investing in a system that automates our extensive customer database, we are assisting our sales associates in providing an even higher level of personal service to our customers. Clienteling provides sales associates with a better understanding of customers' potential needs while building loyalty and repeat visits, further strengthening that bond with our customers.

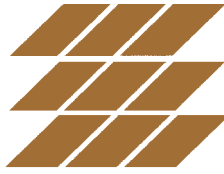
With a more enhanced and targeted marketing strategy, we are developing new ways to build lasting customer relationships.











ZALE CORPORATION®

## *Strategic Opportunities*

*We have positioned the business and its infrastructure to allow us to maximize the many opportunities ahead. As the industry leader with a diversified portfolio of brands, these opportunities remain quite substantial.*

Positioned for the future. While the external conditions have remained challenging, we have continued the improvements to our infrastructure that will enhance our ability to take the business to the next level.

This year we developed an information technology strategy to support the Company's long-range vision. We recently invested in systems that enable us to better manage our inventory, both at the store level and in the distribution center. Enhancements made in our supply chain management will optimize product flow, both from the vendor to the distribution center and from the distribution center to the stores. In addition, store productivity should be improved through our ability to better forecast customer demand down to the store and item level. This will allow us to capitalize on more regional trends by tailoring the assortments to meet demand.

Our information technology strategy also extends to the store level with point-of-sale system enhancements underway that significantly improve transaction time with our credit providers, benefiting our customers through reduced wait times. Additionally, store connectivity will provide all sites online access, e-mail availability and more efficient administrative processes.

On the financial side, Zale was able to leverage its strong free cash flow and balance sheet to improve its capital structure through more attractive funding costs and additional financial flexibility. By taking advantage of its strong financial condition, the Company is now well positioned to meet its future needs along with maximizing any opportunities that present themselves.

With the Company better positioned to meet its future growth plans, we are excited about the opportunities that lie ahead.

## Selected Financial Data

(Amounts in thousands, except per share amounts)

	2003	2002	2001	2000	1999
<b>Income Statement Data</b>					
Total revenue <sup>(a)</sup> . . . . .	\$2,212,241	\$2,191,727	\$2,087,199	\$1,834,090	\$1,466,146
Costs and expenses					
Cost of sales . . . . .	1,101,030	1,083,053	1,034,913	930,826	746,663
Special inventory charge <sup>(b)</sup> . . . . .	—	—	25,236	—	—
Selling, general and administrative expenses <sup>(a)</sup> . . . . .	884,069	873,265	818,205	644,487	525,406
Cost of insurance operations . . . . .	8,228	8,620	5,589	5,928	4,676
Depreciation and amortization expense . . . . .	55,690	58,340	58,290	42,431	29,478
Unusual items <sup>(c)</sup> . . . . .	136,300	(1,202)	4,713	—	—
Operating earnings . . . . .	26,924	169,651	140,253	210,418	159,923
Interest expense, net . . . . .	6,319	7,750	6,857	32,178	30,488
Cost of early retirement of debt <sup>(d)</sup> . . . . .	5,910	—	—	—	—
Earnings before income taxes . . . . .	14,695	161,901	133,396	178,240	129,435
Income taxes . . . . .	55,340	59,256	51,348	66,726	48,503
Earnings before effect of accounting change . . . . .	(40,645)	102,645	82,048	111,514	80,932
Effect of accounting change . . . . .	—	(41,287)	—	—	—
Net (loss) earnings . . . . .	(40,645)	143,932	82,048	111,514	80,932
Earnings (loss) per diluted common share:					
Excludes unusual items, special inventory charge, debt retirement, and effect of accounting change . .	3.08	2.92	2.89	3.11	2.21
Includes unusual items, special inventory charge, debt retirement, and effect of accounting change . .	(1.26)	4.13	2.36	3.11	2.21
Weighted average number of diluted common shares outstanding . . . . .	32,264	34,846	34,751	35,883	36,688
<b>Balance Sheet Data:</b>					
Inventory . . . . .	798,761	782,316	724,157	630,450	571,669
Property and equipment, net . . . . .	266,167	284,438	296,413	231,255	203,841
Total assets . . . . .	1,294,106	1,489,265	1,408,029	1,384,961	1,526,932
Total debt . . . . .	184,400	86,749	109,463	109,369	452,589
Total stockholders' investment . . . . .	652,323	939,807	840,563	781,777	699,611
<b>Other Financial Data:</b>					
Debt to equity . . . . .	28.3%	9.2%	13.0%	14.0%	64.7%
<b>Cash Flow Data:</b>					
Net cash provided by operating activities . . . . .	158,626	175,007	85,552	140,936	81,146
Net cash used by investing activities . . . . .	(36,159)	(50,977)	(324,216)	509,253	(154,259)
Net cash used by financing activities . . . . .	(172,475)	(68,387)	(33,976)	(387,437)	(64,553)
Free operating cash flow <sup>(e)</sup> . . . . .	121,241	124,756	(481)	65,516	23,549
Net capital expenditures <sup>(f)</sup> . . . . .	37,385	50,251	86,033	75,420	57,597
<b>Selected Store Data:</b>					
Beginning of period . . . . .	2,295	2,344	1,389	1,333	1,125
Opened <sup>(g)</sup> . . . . .	37	48	1,022	84	240
Closed . . . . .	98	97	67	28	32
End of period . . . . .	2,234	2,295	2,344	1,389	1,333
Renovated . . . . .	137	135	145	95	94
Comparable sales <sup>(h)</sup> . . . . .	0.8%	1.4%	(4.1)%	11.6%	6.0%

(a) Total revenues and cost of insurance operations include insurance premium revenue and expense, respectively, from insurance operations previously netted in selling, general, and administrative expense. All periods have been restated to reflect the change.

(b) \$15,520 net of tax.

(c) Unusual items include \$136,300 of goodwill impairment for the year ended July 31, 2003, \$2,300, or \$1,446 net of tax, for executive transactions and (\$3,502), or (\$2,208) net of tax, for a retiree medical plan curtailment gain for the year ended July 31, 2002, and \$4,713, or \$2,899 net of tax, for executive transactions for the year ended July 31, 2001.

(d) \$3,741 net of tax.

(e) Free operating cash flow is net cash provided by operating activities less net capital expenditures.

(f) Capital expenditures less dispositions of property and equipment.

(g) Stores opened in 2001 include 937 Piercing Pagoda kiosks acquired in September 2000. Stores opened in 1999 include 176 Peoples Jewellers.

(h) Including the effect of currency translations.

## Board of Directors:

**Robert J. DiNicola**  
Chairman of the Board

**J. Glen Adams**  
Director  
Nominating and Corporate  
Governance Committee Chairman  
Audit Committee Member

**A. David Brown**  
Director  
Audit Committee Member  
Compensation Committee Member

**Mary E. Burton**  
Director  
Compensation Committee Member

**Peter P. Copses**  
Director  
Audit Committee Chairman,  
Nominating and Corporate  
Governance Committee Member

**Mary L. Forté**  
Director  
President and  
Chief Executive Officer

**Richard J. Marcus**  
Director  
Compensation Committee  
Chairman  
Nominating and Corporate  
Governance Committee Member

**Charles H. Pistor**  
Director  
Audit Committee Member

**Andrew H. Tisch**  
Director  
Compensation Committee Member

## Officers of the Company:

**Mary L. Forté**  
President  
Chief Executive Officer

**Sue E. Gove**  
Executive Vice President  
Chief Operating Officer

**Mark R. Lenz**  
Group Senior Vice President  
Chief Financial Officer

**Pamela J. Romano**  
Group Senior Vice President  
President, Zales Jewelers

**Charles E. Fieramosca**  
Senior Vice President  
President, Bailey Banks & Biddle  
Fine Jewelers

**Frank C. Mroczka**  
Senior Vice President  
President, Gordon's Jewelers

**Paul G. Leonard**  
Senior Vice President  
President, Piercing Pagoda

**John A. Zimmermann**  
Senior Vice President  
President, Peoples Jewelers

**Nancy O. Skinner**  
Senior Vice President  
President, Zales Outlet

**Cynthia T. Gordon**  
Senior Vice President  
Controller

**David W. Howard**  
Senior Vice President,  
Chief Information Officer

**Gregory Humensky**  
Senior Vice President,  
Human Resources

**Stephen C. Massanelli**  
Senior Vice President,  
Treasurer

**Erwin G. Polze**  
Senior Vice President,  
Support Operations

**Bernard M. Sensale**  
Senior Vice President,  
Marketing

**Robert A. Shapiro**  
Senior Vice President,  
Real Estate

**George J. Slichó**  
Senior Vice President,  
Loss Prevention

**Stephen L. Strong**  
Senior Vice President,  
Executive Vice President  
Store Operations,  
Zales Jewelers

**Charleen R. Wuelfner**  
Senior Vice President  
President, Corporate  
Merchandising

**Hilary Molay**  
Vice President,  
General Counsel and Secretary

## Corporate Information:

**Executive Offices**  
901 West Walnut Hill Lane  
Irving, Texas 75038-1003  
972-580-4000

**Transfer Agent & Registrar**  
The Bank of New York  
Shareholder Relations  
Department  
P.O. Box 11258  
New York, New York 10286  
800-524-4458

**Investor Information**  
Investor Relations  
901 West Walnut Hill Lane  
Mail Station 6B-3  
Irving, Texas 75038-1003  
ir@zalecorp.com

**Independent  
Public Accountants**  
KPMG LLP

**Stock Listings**  
New York Stock Exchange  
Common—Symbol: ZLC

**Form 10-K Requests**  
Investors may obtain, without  
charge, a copy of the Cor-  
poration's Form 10-K and  
Annual Report, filed with  
the Securities and Exchange  
Commission for the year  
ended July 31, 2003. The  
Company's Form 10-K and  
Annual Report are available  
online at [www.zalecorp.com](http://www.zalecorp.com).

**Internet Access**  
[www.zalecorp.com](http://www.zalecorp.com)

**Notice of Annual Meeting**  
The Corporation's Annual Meeting of Shareholders will be held  
at 10 a.m. Thursday, November 6, 2003 at The Omni Mandalay  
Hotel located at 221 East Las Colinas Blvd., Irving, Texas 75039.

## Common Stock Information

The Corporation's Common Stock is listed on the NYSE under the symbol ZLC. The following table sets forth the high and low sale prices for the Common Stock for each fiscal quarter during the two most recent fiscal years.

	2003		2002	
	High	Low	High	Low
First	\$32.65	\$26.50	\$34.10	\$24.65
Second	37.71	28.65	45.75	28.10
Third	35.00	28.35	45.84	37.90
Fourth	48.68	34.06	44.63	27.05

As of September 5, 2003, the outstanding shares of Common Stock were held by approximately 875 holders of record.

*Jewelry has long been a way to mark life's special moments.*

## Cautionary Notice Regarding Forward-Looking Statements:

This release contains forward-looking statements, including statements regarding the Company's objectives and expectations regarding its sales and earnings, its merchandising and marketing strategies, store renovation, remodeling and expansion, inventory management and performance, liquidity and cash flows, capital expenditures, development of management information systems, reserves for future credit losses under the private label credit arrangement and the impact of new accounting pronouncements. These forward-looking statements are not guarantees of future performance and a variety of factors could cause the Company's actual results to differ materially from those anticipated or expected results expressed in these forward-looking statements. The following list, which is not intended to be an all-encompassing list of risks and uncertainties affecting the Company, summarizes several factors that could cause the Company's actual results to differ materially from those anticipated or expected in these forward-looking statements: that low or negative growth in the economy or in the financial markets will occur and reduce discretionary spending on goods that are, or are perceived to be, "luxuries"; that levels of mall traffic may decline as a result of economic or other factors; that warehousing and distribution productivity and capacity can be further improved to support the Company's distribution requirements; that strong competitive responses may impact the Company's efforts to leverage its brand power with its marketing, merchandising and promotional efforts; that seasonality of the retail jewelry business or downturns in consumer spending during the fourth calendar quarter may adversely affect the Company's results; that the Company may not be able to continue to manage its inventory and product supply effectively to respond to consumer demand; that fluctuations in diamond prices may negatively affect the business; that legal or governmental proceedings may have an adverse effect on the financial results or reputation of the Company; that key personnel who have been hired or retained by the Company may depart; that any disruption in the Company's private label credit card arrangement may adversely affect the Company's ability to provide consumer credit and write credit insurance; or that changes in government or regulatory requirements may increase the cost of or adversely affect the Company's operations. The Company disclaims any obligation to update or revise publicly or otherwise any forward-looking statements to reflect subsequent events, new information or future circumstances.

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**Frank C. Mroczka**  
*Senior Vice President*  
*President, Gordon's Jewelers*

**Paul G. Leonard**  
*Senior Vice President*  
*President, Piercing Pagoda*

**John A. Zimmermann**  
*Senior Vice President*  
*President, Peoples Jewellers*

**Nancy O. Skinner**  
*Senior Vice President*  
*President, Zales Outlet*

**Cynthia T. Gordon**  
*Senior Vice President*  
*Controller*

**David W. Howard**  
*Senior Vice President,*  
*Chief Information Officer*

**Gregory Humenesky**  
*Senior Vice President,*  
*Human Resources*

**Stephen C. Massanelli**  
*Senior Vice President,*  
*Treasurer*

**Ervin G. Polze**  
*Senior Vice President,*  
*Support Operations*

**Bernard M. Sensale**  
*Senior Vice President,*  
*Marketing*

**Robert A. Shapiro**  
*Senior Vice President,*  
*Real Estate*

**George J. Slich**  
*Senior Vice President,*  
*Loss Prevention*

**Stephen L. Strong**  
*Senior Vice President,*  
*Executive Vice President*  
*Store Operations,*  
*Zales Jewelers*

**Charleen R. Wuellner**  
*Senior Vice President*  
*President, Corporate Merchandising*

**Hilary Molay**  
*Vice President,*  
*General Counsel and Secretary*

## Corporate Information:

**Executive Offices**  
901 West Walnut Hill Lane  
Irving, Texas 75038-1003  
972-580-4000

**Transfer Agent & Registrar**  
The Bank of New York  
Shareholder Relations  
Department  
P.O. Box 11258  
New York, New York 10286  
800-524-4458

**Investor Information/  
Investor Relations**  
901 West Walnut Hill Lane  
Mail Station 6B-3  
Irving, Texas 75038-1003  
ir@zalecorp.com

**Independent  
Public Accountants**  
KPMG LLP

**Stock Listings**  
New York Stock Exchange  
Common—Symbol: ZLC

**Form 10-K Requests**  
Investors may obtain, without charge, a copy of the Corporation's Form 10-K and Annual Report as filed with the Securities and Exchange Commission for the year ended July 31, 2003. The Company's Form 10-K and Annual Report are available online at [www.zalecorp.com](http://www.zalecorp.com).

**Internet Access**  
[www.zalecorp.com](http://www.zalecorp.com)

**Notice of Annual Meeting**  
Zale Corporation's Annual Meeting of Shareholders will be held at 10 a.m. Thursday, November 6, 2003 at The Omni Mandalay Hotel located at 221 East Las Colinas Blvd., Irving, Texas 75039.

**Common Stock Information**  
The Common Stock is listed on the NYSE under the symbol ZLC. The following table sets forth the high and low sale prices for the Common Stock for each fiscal quarter during the two most recent fiscal years.

Quarter	2003		2002	
	High	Low	High	Low
First	\$32.65	\$26.50	\$34.10	\$24.65
Second	37.71	28.65	45.75	28.10
Third	35.00	28.35	45.84	37.90
Fourth	48.68	34.06	44.63	27.05

As of September 5, 2003, the outstanding shares of Common Stock were held by approximately 875 holders of record.

## Cautionary Notice Regarding Forward-Looking Statements:

*This release contains forward-looking statements, including statements regarding the Company's objectives and expectations regarding its sales and earnings, its merchandising and marketing strategies, store renovation, remodeling and expansion, inventory management and performance, liquidity and cash flows, capital expenditures, development of management information systems, reserves for future credit losses under the private label credit arrangement and the impact of new accounting pronouncements. These forward-looking statements are not guarantees of future performance and a variety of factors could cause the Company's actual results to differ materially from the anticipated or expected results expressed in these forward-looking statements. The following list, which is not intended to be an all-encompassing list of risks and uncertainties affecting the Company, summarizes several factors that could cause the Company's actual results to differ materially from those anticipated or expected in these forward-looking statements: that low or negative growth in the economy or in the financial markets will occur and reduce discretionary spending on goods that are, or are perceived to be, "luxuries"; that levels of mall traffic may decline as a result of economic or other factors; that warehousing and distribution productivity and capacity can be further improved to support the Company's distribution requirements; that strong competitive responses may impact the Company's efforts to leverage its brand power with its marketing, merchandising and promotional efforts; that seasonality of the retail jewelry business or downturns in consumer spending during the fourth calendar quarter may adversely affect the Company's results; that the Company may not be able to continue to manage its inventory and product supply effectively to respond to consumer demand; that fluctuations in diamond prices may negatively affect the business; that legal or governmental proceedings may have an adverse effect on the financial results or reputation of the Company; that key personnel who have been hired or retained by the Company may depart; that any disruption in the Company's private label credit card arrangement may adversely affect the Company's ability to provide consumer credit and write credit insurance; or that changes in government or regulatory requirements may increase the cost of or adversely affect the Company's operations. The Company disclaims any obligation to update or revise publicly or otherwise any forward-looking statements to reflect subsequent events, new information or future circumstances.*

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