



Annual Report 2003

JONES APPAREL GROUP





A|LINE
 ALBERT NIPON
 ANNE KLEIN
NEW YORK
 BANDOLINO
easyspirit.
 energie
 ENZO ANGIOLINI



ESPRIT
 Evan-Picone
 GIVENCHY
 GLO
JEANS

GLORIA VANDERBILT
 JONES NEW YORK COLLECTION
 JONES NEW YORK DRESS
 JONES NEW YORK SIGNATURE
 JONES NEW YORK SPORT
 JUDITH JACK

KASPER
 lei.
Be • energy • intelligence

JONES APPAREL GROUP



Le Suit
 n a p i e r
 NINE WEST
 NORTONMCNAUGHTON.
 POLO JEANS CO.
 Rena Rowan
 VICTORIA+CO



“Looked at another way, the story of Jones is the story of successful brand building.”

Peter Boneparth

foreground:
Peter Boneparth
President and Chief Executive Officer and Director
back, left:
Wesley R. Card
Chief Operating and Financial Officer
back, right:
Rhonda Brown
President and Chief Executive Officer of Footwear, Accessories, and Retail Group

How we build a brand

Dear Jones Apparel Shareholder:

Over its more than 30 year history, Jones Apparel has developed a distinct culture: one that emphasizes product innovation, consumer-focused marketing, efficient and industry-leading operating platforms and long-term strategic planning. This corporate philosophy has allowed us to continuously reinvent and adapt our business profile and product mix for the benefit of our customers and shareholders.

We believe our ability to deliver consistently fashionable product and excellent financial performance in the face of a variety of industry and economic conditions is one of our hallmarks and a strong competitive advantage.

Looked at another way, the story of Jones is the story of successful brand building. In this annual report, we will touch on that story – how we launch, build and nurture brands – to create enduring value.

As we entered 2004, we were very pleased with our record-setting financial performance, once again driven by our business model and our focus on the consumer. In fact, 2003 was a year of accomplishments on many fronts, including the following:

- Generated record net revenues of \$4.4 billion and net income of \$329 million,
- Delivered operating cash flow as a percentage of net revenues exceeding 10%,
- Instituted the first dividend in our history with a target yield of 1%,
- Repurchased over \$100 million of our shares,
- Launched the Jones New York Signature brand, which has been exceptionally-well received by the consumer,
- Added the highly-recognizable Kasper and Anne Klein brands to our portfolio,
- Continued investments in technology, allowing us to ship approximately 300 million units,
- Anticipated and embraced newly-created corporate governance and transparency guidelines, including expensing stock options and
- Received one of the highest Corporate Governance Quotient rankings within our industry from Institutional Shareholder Services.

We are optimistic about our prospects for 2004 and beyond. Our newly-introduced Jones New York Signature brand is off to an excellent start. We are also experiencing positive trends in our career and contemporary businesses and improvements in our denim businesses. Plans are in place for upcoming launches in our wholesale moderate businesses, new initiatives in our wholesale footwear and accessories businesses, and many enhancements to the shopping experience in our retail businesses.

The theme that underpins our success is brand building. We devote tremendous time and energy inquiring and learning about the many characteristics that comprise the consumer profile of and attitudes toward each of our brands. Our grass roots marketing efforts, coupled with the continuous buying intelligence we receive from consumers, allows us to customize the branded product experience. We constantly challenge ourselves to build a connection with the consumer that transcends product, with the ultimate goal of strong brand loyalty. This can only be accomplished by creating brands that consumers desire.

We have created a portfolio of highly-recognizable brands supported by dedicated marketing campaigns that speak to the attitude and desires of the consumer. Examples such as Jones New York, Anne Klein, Kasper, Nine West, Easy Spirit, Gloria Vanderbilt, Bandolino, and I.e.i. embody the value of being relevant and important to the only person who matters...the consumer.



Sidney Kimmel
Founder, Jones Apparel Group, Inc.
Chairman and Director

A Letter to Stockholders and Bondholders

Our strong brands are further supported by our commitment to operational excellence. Our product development teams, state-of-the-art systems, and efficient logistics and distribution capabilities form the cornerstone from which we can continue to build and deliver excellent product with great value. The product-to-value relationship speaks to our industry leadership and has provided us with substantial financial and operational flexibility to maneuver around challenges, and in some cases, to absorb the impact of a potential adverse outcome. Our ability to rapidly design, develop and launch the Jones New York Signature brand testifies to that flexibility.

Our multi-brand, multi-product, multi-channel portfolio, in combination with the commitment of our more than 17,000 employees worldwide, has allowed Jones Apparel to become one of the most balanced and diversified consumer product companies in our industry. I would like to acknowledge the hard work and determination of those associates. I would also like to thank our many customers and suppliers for contributing to our success. And, of course, I would like to recognize our shareholders and financial constituencies for their support as we look to build on our past success by remaining focused on our diversified brand-building strategy.

Sincerely,


Peter Boneparth
President and Chief Executive Officer
Jones Apparel Group, Inc.



From consumer
insight...

...to purchase,
conversion,
and loyalty.

Exceeding expectations.

Building long-term consumer relationships with our brands.

Making meaningful connections.

Consumer Dialogue



Consumer-Centric Value Proposition



Knowledge Application

"Utilizing consumer intelligence allows us to optimize our marketing spend, minimizing risk and increasing reward."

Peter Boneparth, CEO, Jones Apparel Group

Product Development



Filling closet voids with relevant branded extensions



Delivering consistent size and fit standards

Balanced Marketing

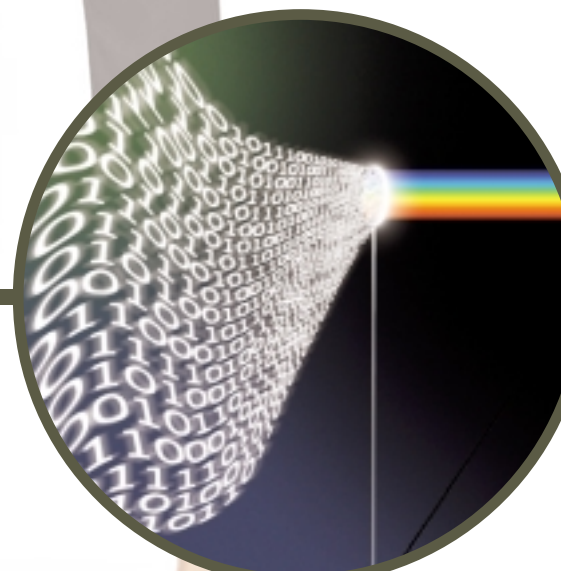


National media



Regional tactics / retail partnerships

Strategic Planning



Collaborative information planning



Acquiring consumer-relevant brands



- Fast track product delivery
- Responsiveness to market
- Quick turnaround



Consumer-centric selling propositions



Wardrobe-building merchandising



Experiential marketing



Promotions and point-of-sale



Peer-to-peer marketing



Added-value partnerships



New channels: catalog, web



Leverage corporate assets to create more meaningful brands across classifications

Awareness



Conversion



Loyalty

72% of women who were upscale/department store buyers and who purchased Jones New York in the past 12 months plan to purchase Jones again.

Proprietary study conducted by the NPD Group, Inc. for JAG during September 2003



JONES NEW YORK COLLECTION



JONES NEW YORK SIGNATURE

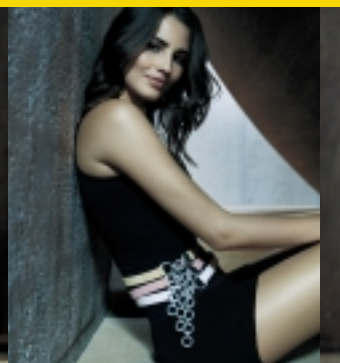
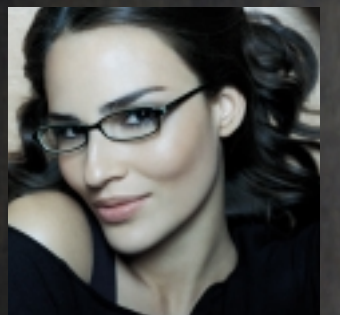
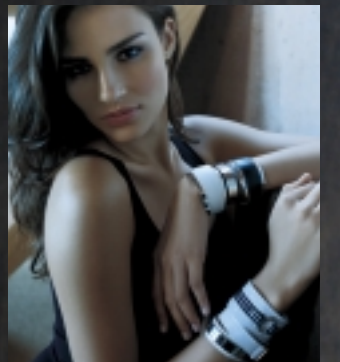
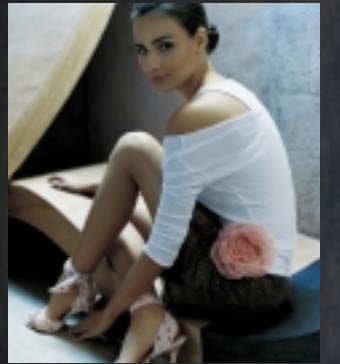
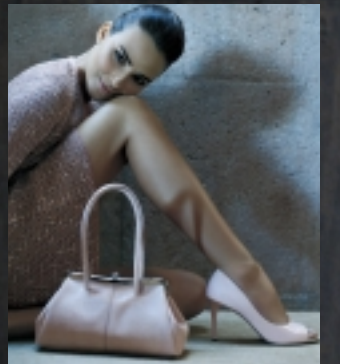


"The Jones brand rates higher than its competitors on quality, consistency of fit, value, and brand I relate to."

Kurt Salmon Associates, Market Research 2003

"Nine West consistently ranks as the #1 fashion footwear brand."

NPD Fashionworld Consumer Panel Estimates- Footwear - Annual, 2003



NINE WEST



KASPER

Kasper is the #1 suit brand of women's tailored suits in department stores (based on both units and dollars).

NPD Fashionworld Consumer Panel Estimates- Apparel - Annual, 2003



ANNE KLEIN
NEW YORK

WWD Top 100 Brands ranks Anne Klein as the sixth most recognized brand in the category of designer brands.

WWD, 100 Brand Recognition Study



Easy Spirit is the #1 department store brand in the comfort classification.

NPD Fashionworld Footwear POS Data, Annual 2003

easyspirit.



Gloria Vanderbilt was #1 for dollar and unit volume growth amongst the top 10 Women's denim brands in National Chains in 2003 (ranked #4 overall).

The NPD Group / NPD Fashionworld Consumer Panel Estimates - Apparel, Annual 2003

GLORIA VANDERBILT





lei.
life • energy • intelligence

L.E.I. ranks as the #1 denim brand amongst young women 13-17 years of age.

The NPD Group / NPD Fashionworld Consumer Panel Estimates - Apparel, Annual 2003



BANDOLINO



Bandolino was #1 for dollar volume growth amongst the top 15 women's footwear brands in department stores during 2003.

NPD Fashionworld Footwear POS Data, Annual 2003

Financial Highlights

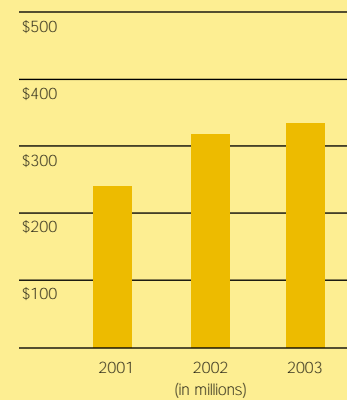
JONES APPAREL GROUP, INC. & SUBSIDIARIES

all amounts in millions
except per share and employee data

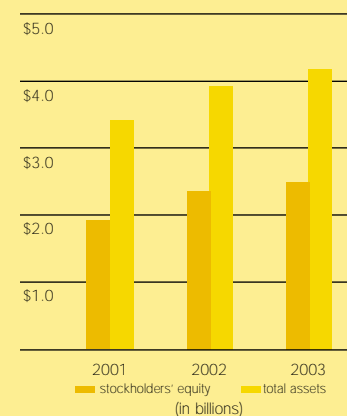
	2003	2002	2001
total revenues	\$4,375	\$4,341	\$4,099
gross profit	\$1,637	\$1,684	\$1,528
gross margin	37.4%	38.8%	37.3%
operating income	\$580	\$591	\$480
operating margin	13.3%	13.6%	11.7%
net income	\$329	\$319	\$236
diluted earnings per share	\$2.48	\$2.36	\$1.82
working capital	\$827	\$891	\$763
total assets	\$4,188	\$3,853	\$3,374
stockholders' equity	\$2,538	\$2,304	\$1,905
book value per share	\$20.11	\$17.94	\$15.16
dividends per share	\$0.16	—	—
employees	17,095	15,950	12,175



TOTAL REVENUES



NET INCOME



TOTAL ASSETS & STOCKHOLDERS' EQUITY

10K
insert

DIRECTORS & EXECUTIVE OFFICERS

Peter Boneparth
President and Chief Executive Officer and Director

Sidney Kimmel
Chairman and Director

Wesley R. Card
Chief Operating and Financial Officer

Rhonda J. Brown
President and Chief Executive Officer of Footwear, Accessories and Retail Group

Ira M. Dansky
Executive Vice President, Secretary and General Counsel

Anita Britt
Executive Vice President of Finance

Patrick M. Farrell
Senior Vice President and Corporate Controller

Howard Gittis*††
Director, Vice Chairman, and Chief Administrative Officer, MacAndrews & Forbes Holdings Inc.

Geraldine Stutz‡
Director, Principal Partner, GSG Group

Anthony F. Scarpa*†
Director, Retired Senior Vice President/Division Executive, J.P. Morgan Chase Bank

Matthew H. Kamens
Director, Attorney

Michael L. Tarnopol
Director, Senior Managing Director, Chairman of the Investment Banking Division and Vice Chairman, Bear, Stearns and Co. Inc.

J. Robert Kerrey††
Director, President of New School University

Ann N. Reese*
Director, Executive Director of the Center for Adoption Policy Studies

*member of Audit Committee

†member of Compensation Committee

‡member of Nominating/Corporate Governance Committee

STOCKHOLDER INFORMATION

Investor Inquiries

Investors and other parties with questions, including requests for the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (available without charge), should direct questions in writing to: Wesley Card, Chief Operating and Financial Officer, Jones Apparel Group, Inc., 250 Rittenhouse Circle, Bristol, Pennsylvania 19007.

Transfer Agent and Registrar

The Bank of New York
Shareholder Relations Department - 11E
P.O. Box 11258, Church Street Station
New York, New York 10286
1-800-524-4458
e-mail: Shareowners@bankofny.com
website: www.stockbny.com

Independent Auditors

BDO Seidman, LLP
330 Madison Avenue
New York, New York 10017
212-885-8000

Corporate Offices

250 Rittenhouse Circle
Bristol, Pennsylvania 19007
215-785-4000

1411 Broadway
New York, New York 10018
212-642-3860



JONES APPAREL GROUP

Jones Apparel Group, Inc., a Fortune 500 Company is a leading designer and marketer of branded apparel, footwear and accessories. The Company's nationally recognized brands include Jones New York, Polo Jeans Company licensed from Polo Ralph Lauren Corporation, Evan-Picone, Norton McNaughton, Gloria Vanderbilt, Erika, L.e.i., Energie, Nine West, Easy Spirit, Enzo Angiolini, Bandolino, Napier, Judith Jack, Kasper, Anne Klein, Albert Nipon, and LeSuit. The Company also markets costume jewelry under the Tommy Hilfiger brand licensed from Tommy Hilfiger Corporation and the Givenchy brand licensed from Givenchy Corporation, and footwear and accessories under the ESPRIT brand licensed from Esprit Europe, B.V. Celebrating more than 30 years of service, the Company has built a reputation for excellence in product quality and value, and in operational execution.

