



FORM 10-K

MAY DEPARTMENT STORES CO - MAY

Exhibit:

Filed: March 28, 2003 (period: February 01, 2003)

Annual report which provides a comprehensive overview of the company for the past year

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark one)

- ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended February 1, 2003
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 1-79

THE MAY DEPARTMENT STORES COMPANY
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

43-1104396
(I.R.S. Employer
Identification Number)

611 Olive Street, St. Louis, Missouri
(Address of principal executive offices)

63101
(Zip Code)

Registrant's telephone number, including area code: (314) 342-6300

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value \$.50 per share	New York Stock Exchange
Preferred stock purchase rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

(Title of Class)

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 X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes X No

Aggregate market value of the registrant's common stock held by non-affiliates as of March 14, 2003: \$5,505,826,184

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 287,360,448 shares of common stock, \$.50 par value, as of March 14, 2003.

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Documents incorporated by reference:

1. Registrant's Proxy Statement for the 2003 Annual Meeting of Shareowners (to be filed with the commission under Rule 14A within 120 days after the end of registrant's fiscal year-end and, upon such filing, to be incorporated by reference into Part III).

PART I

Items 1 and 2. Business and Description of Property

The May Department Stores Company ("May"), a corporation organized under the laws of the State of Delaware in 1976, became the successor to The May Department Stores Company, a New York corporation ("May NY") in a reincorporation from New York to Delaware pursuant to a statutory share exchange accomplished in 1996. As a result of the share exchange, May NY became a wholly-owned subsidiary of May. May NY was organized under the laws of the State of New York in 1910, as the successor to a business founded by David May, who opened his first store in Leadville, Colorado, in 1877.

Information required by this item is also included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," which is incorporated herein by reference.

DEPARTMENT STORES

May operates six quality regional department store divisions nationwide under 11 long-standing and widely recognized trade names. Each department store division holds a leading market position in its region. At fiscal year-end 2002, May operated 443 department stores in 37 states and the District of Columbia. The department store divisions and the markets served are shown in the table below.

Store Company	Markets Served
Lord & Taylor	34 markets, including New York/New Jersey Metro; Chicago; Boston Metro; Dallas/Fort Worth; Philadelphia Metro; Washington, D.C., Metro; Detroit; Houston; Atlanta; and St. Louis Metro
Filene's and Kaufmann's	39 markets, including Boston Metro, Pittsburgh, Cleveland, Southern Connecticut, Providence Metro, Hartford, Buffalo, Rochester, and Columbus
Robinsons-May and Meier & Frank	15 markets, including Los Angeles/Orange County, Riverside/San Bernardino, Phoenix, San Diego, Las Vegas, Portland/Vancouver Metro and Salt Lake City
Hecht's and Strawbridge's	19 markets, including Washington, D.C., Metro; Philadelphia Metro (Strawbridge's); Baltimore; Norfolk; Nashville; Richmond; Charlotte; Greensboro; and Raleigh-Durham
Foley's	21 markets, including Houston, Dallas/Fort Worth, Denver, San Antonio, Austin, and Oklahoma City
Famous-Barr, L.S. Ayres and The Jones Store	24 markets, including St. Louis Metro, Kansas City Metro (The Jones Store), and Indianapolis (L.S. Ayres)

We plan to open 11 department stores in 2003 in the following cities:

Lord & Taylor Miami, FL	Hecht's Richmond, VA
Filene's Brockton, MA	Foley's Lake Charles, LA Dallas, TX
Kaufmann's Columbus, OH (2) Pittsburgh, PA	Houston, TX Famous-Barr Columbia, MO
Meier & Frank Ogden, UT	

BRIDAL GROUP

David's Bridal Inc. is the nation's largest retailer of bridal gowns and bridal-related merchandise and offers a variety of special occasion dresses and accessories. At fiscal year-end 2002, David's Bridal operated 180 stores in 44 states and Puerto Rico.

After Hours Formalwear Inc. is the largest tuxedo rental and sales retailer in the United States. At fiscal year-end 2002, After Hours operated 235 stores in 19 states.

Priscilla of Boston is one of the most highly recognized upscale bridal retailers in the United States. At fiscal year-end 2002, Priscilla of Boston operated 10 stores in nine states.

A. Associates

May employs approximately 55,000 full-time and 61,000 part-time associates in 45 states, the District of Columbia, Puerto Rico and 10 offices overseas.

B. Property Ownership

The following summarizes the property ownership of department stores and the Bridal Group at February 1, 2003:

Department Stores	Number of Stores*	% of Gross Building Sq. Footage	
		Department Stores	Bridal Group

Entirely or mostly owned	260	2	62%	1%
Entirely or mostly leased	110	423	24	99
Owned on leased land	73	-	14	0
	443	425	100%	100%

* Includes two department stores subject to financing.

C. Credit Sales

Sales at May's stores are made for cash or credit, including May's 30-day charge accounts and open-end credit plans for department store divisions, which include revolving charge accounts and revolving installment accounts. During the fiscal year ended February 1, 2003, 36.9% of net sales were made through May's credit plans.

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C. Credit Sales (continued)

May National Bank of Arizona ("MBA") and May National Bank of Ohio ("MBO") are indirectly wholly-owned and consolidated subsidiaries of May. MBA and MBO extend credit to customers of May's six department store divisions. In 2002, we announced the planned merger of MBA into MBO in 2003. The merger is subject to Office of the Comptroller of the Currency approval.

D. Competition in Retail Merchandising

May conducts its retail merchandising business under highly competitive conditions. Although May is one of the nation's largest department store retailers, it has numerous competitors at the national and local level which compete with May's individual department stores and the Bridal Group. Competitors include department stores, specialty, off-price, discount, internet, and mail-order retailers. Competition is characterized by many factors including location, reputation, assortment, advertising, price, quality, service, and credit availability. May believes that it is in a strong competitive position with regard to each of these factors.

E. May Merchandising Company/May Department Stores International, Inc.

May Merchandising Company ("MMC"), an indirectly wholly-owned and consolidated subsidiary of May, identifies emerging fashion trends in both domestic brands and our exclusive proprietary brand merchandise. MMC works closely with our six department store divisions and our merchandise vendors to communicate emerging fashion trends, to develop meaningful merchandise assortments and negotiate the best overall terms for delivery of merchandise in a timely manner to our stores.

May Department Stores International, Inc. ("MDSI"), a wholly-owned and consolidated subsidiary of May, is primarily a design and sourcing company. MDSI owns all trade names and marks associated with proprietary brand merchandise and develops, designs, sources, imports, and distributes the proprietary brand merchandise bearing those trade names and marks for May. MDSI has approximately 40-50 private labels in use at the department store divisions and employs approximately 850 persons worldwide. In addition to its corporate office in St. Louis, MDSI operates offices in New York City and ten countries.

F. Executive Officers of May

The names and ages (as of March 28, 2003) of all executive officers of May, and the positions and offices held with May by each such person are as follows:

Name	Age	Positions and Offices
Eugene S. Kahn	53	Chairman of the Board and Chief Executive Officer
John L. Dunham	56	President
William P. McNamara	52	Vice Chairman
Thomas D. Fingleton	55	Executive Vice President and Chief Financial Officer
Jay A. Levitt	45	Chief Executive Officer and President, May Merchandising Company and May Department Stores International
R. Dean Wolfe	58	Executive Vice President
Alan E. Charlson	54	Senior Vice President and General Counsel
Martin M. Doerr	48	Senior Vice President
William D. Edkins	50	Senior Vice President
Lonny J. Jay	61	Senior Vice President
Jan R. Kniffen	54	Senior Vice President
Richard A. Brickson	55	Secretary and Senior Counsel
J. Per Brodin	41	Vice President

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F. Executive Officers of May (continued)

Each of the above named executive officers shall remain in office until the

annual meeting of directors following the next annual meeting of shareowners of May and until the officer's successor shall have been elected and shall qualify. Messrs. Kahn, Dunham, and Wolfe are also directors of May. Ms. Judith K. Hofer retired as an officer on July 31, 2002. At that time Mr. Levitt assumed the additional position of chief executive officer of May Merchandising Company and May Department Stores International.

Each of the executive officers has been an officer of May for at least the last five years, with the following exceptions:

- Mr. McNamara served as senior vice president and general merchandise manager for May Merchandising Company from 1995 to 1997, president and chief executive officer of Famous-Barr from 1997 to 1998, and president of May Merchandising Company from 1998 to February 2000 when he became vice chairman and an executive officer of May.
- Mr. Fingleton served as chairman of Hecht's from 1991 to May 2000 when he became executive vice president and an executive officer of May. He assumed his current position in April 2001.
- Mr. Levitt served as vice president and general merchandising manager of Robinsons-May from 1991 to 1999 when he was named president and chief executive officer. He became president of May Merchandising Company and May Department Stores International and an executive officer of May in July 2001. He assumed his current position in July 2002.
- Mr. Charlson served as senior counsel for May from 1988 to 1998 when he became senior vice president and chief counsel and an executive officer of May. He assumed his current position in January 2001.
- Mr. Brodin was associated with a public accounting firm from 1989 to 2002. He served as director of May's corporate accounting and reporting from March 2002 to June 2002 when he became vice president and an executive officer of May.

G. Website Access to Reports

We make our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, filed or furnished pursuant to section 13(a) or 15(d) of the Securities Exchange Act of 1934 available free of charge on or through our internet website, www.maycompany.com, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

Item 3. Legal Proceedings

The company is involved in claims, proceedings, and litigation arising from the operation of its business. The company does not believe any such claim, proceeding, or litigation, either alone or in the aggregate, will have a material adverse effect on the company's financial position or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the 13 weeks ended February 1, 2003.

PART II

Item 5. Market for May's Common Equity and Related Shareowner Matters

Common Stock Dividends and Market Prices information included in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" is incorporated herein by reference.

Item 6. Selected Financial Data

FIVE-YEAR FINANCIAL SUMMARY

(dollars in millions, except per share and operating statistics)	2002	2001	2000	1999	1998
Operations					
Net sales	\$13,491	\$13,883	\$14,210	\$13,562	\$12,792

Source: MAY DEPARTMENT STORE, 10-K, March 28, 2003

Total percent increase (decrease)	(2.8)%	(2.3)%	4.8%	6.0%	6.0%
Store-for-store percent increase (decrease)	(5.3)	(4.4)	0.0	2.7	3.4
Cost of sales	9,463(3)	9,632	9,798	9,255	8,786
Selling, general, and administrative expenses	2,863(3)	2,758	2,665	2,497	2,333
Interest expense, net	345	354	345	287	278
Earnings before income taxes	820(3)	1,139	1,402	1,523	1,395
Provision for income taxes	278	436	544	596	546
Net earnings (1)	542(3)	703	858	927	849
Percent of net sales	4.0%	5.1%	6.0%	6.8%	6.6%
LIFO credit	\$ -	\$ (30)	\$ (29)	\$ (30)	\$ (28)
Per share					
Basic earnings per share(1)	\$ 1.82(3)	\$ 2.31	\$ 2.74	\$ 2.73	\$ 2.43
Diluted earnings per share(1)	1.76(3)	2.21	2.62	2.60	2.30
Dividends paid (2)	0.95	0.94	0.93	0.89	0.85
Book value	14.00	13.37	12.93	12.53	11.46
Market price - high	37.75	41.25	39.50	45.38	47.25
Market price - low	20.08	27.00	19.19	29.19	33.17
Market price - year-end close	20.50	36.07	37.30	31.25	40.25
Financial statistics					
Return on equity	16.1%(4)	18.2%	21.0%	24.1%	22.2%
Return on net assets	12.9 (4)	15.5	19.5	20.7	19.8
Operating statistics					
Stores open at year-end:					
Department stores	443	439	427	408	393
Bridal Group (5)	425	400	123	-	-
Gross retail square footage (in millions):					
Department stores	76.5	75.3	72.0	69.1	66.7
Bridal Group (5)	2.2	1.9	1.3	-	-
Net sales per square foot (6)	\$ 174	\$ 185	\$ 198	\$ 201	\$ 199
Cash flows and financial position					
Cash flows from operations	\$ 1,460	\$ 1,644	\$ 1,346	\$ 1,530	\$ 1,505
Depreciation and amortization	557	559	511	469	439
Capital expenditures	798	797	598	703	630
Dividends on common stock	273	278	286	295	290
Working capital	2,056	2,397	3,056	2,700	2,928
Long-term debt and preference stock	4,300	4,689	4,833	3,875	4,152
Shareowners' equity	4,035	3,841	3,855	4,077	3,836
Total assets	11,936	11,920	11,574	10,935	10,533
Shares outstanding:					
Average basic shares outstanding	288.2	296.0	306.4	332.2	342.6
Average diluted shares outstanding and equivalents	307.9	317.6	327.7	355.6	367.4

All years included 52 weeks, except 2000, which included 53 weeks. Amounts for all years conform to 2002 presentation.

- (1) Represents net earnings and earnings per share from continuing operations.
- (2) The annual dividend was increased to \$0.96 per share effective with the March 15, 2003, dividend payment.
- (3) Earnings include division combination costs of \$114 million (pretax) or \$0.26 per basic share and \$0.24 per diluted share, which consisted of \$23 million as cost of sales and \$91 million as selling, general, and administrative expenses.
- (4) Based on earnings before division combination costs.
- (5) After Hours and Priscilla of Boston joined the company in 2001. David's Bridal joined the company in 2000.
- (6) Net sales per square foot are calculated from net sales and average gross retail square footage.

Item 7. Management's Discussion and Analysis of Financial Condition and Results Of Operations

OVERVIEW

In 2002, we opened 11 new department stores, which added 1.7 million square feet of retail space.

Lord & Taylor	
Houston, TX	Memorial City Mall
Orlando, FL	The Florida Mall
St. Louis, MO	West County

Filene's

Leominster, MA	Searstown Mall
Kaufmann's Cleveland, OH	University Square
Robinsons-May Irvine, CA	Irvine Spectrum Center
Hecht's Raleigh, NC Greensboro, NC	Triangle Town Center Wendover Place
Foley's Beaumont, TX El Paso, TX	Parkdale Mall Cielo Vista Mall
The Jones Store Kansas City, KS	Oak Park Mall

Three of the new department stores (Irvine, Leominster, and Greensboro) represent a new store format featuring a contemporary design, with flexible merchandise presentations. This format will enable us to open stores in innovative centers, including mixed-use "lifestyle" projects.

We also remodeled 2.7 million square feet of retail space in 32 department stores in 2002, including the expansion of 15 stores by 588,000 square feet. At fiscal year-end, we operated 443 department stores in 37 states and the District of Columbia.

In August 2002, we combined our Kaufmann's division with our Filene's division and our Meier & Frank division with our Robinsons-May division. In January 2003, we also announced the closing of our Arizona Credit Center and the realignment of our data centers. We incurred pretax charges of \$114 million or \$0.24 per share to complete these activities. These combinations are expected to result in annual pretax savings of approximately \$65 million or \$0.13 per share.

Our Bridal Group includes David's Bridal, the largest retailer of bridal-related apparel in the United States; After Hours Formalwear (After Hours), the largest tuxedo rental and sales retailer in the United States; and Priscilla of Boston, one of the most highly recognized, upscale bridal gown retailers in the country. In 2002, we opened 30 David's Bridal stores and one After Hours store totaling 310,000 square feet of retail space. At fiscal year-end, our Bridal Group operated 180 David's Bridal stores in 44 states and Puerto Rico, 235 After Hours stores in 19 states, and 10 Priscilla of Boston stores in nine states.

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Our planned capital expenditures for 2003 are approximately \$600 million. This plan includes opening 11 new department stores totaling 1.8 million square feet; remodeling or expanding 26 stores totaling 2.9 million square feet of retail space; and the Bridal Group's addition of 30 David's Bridal stores, 15 After Hours stores, and two Priscilla of Boston stores totaling 330,000 square feet of retail space.

REVIEW OF OPERATIONS

Net sales were \$13.5 billion, a 2.8% decrease, compared with 2001 net sales of \$13.9 billion. The decrease was primarily due to a \$732 million decrease in store-for-store sales, offset by \$395 million of new-store sales.

Earnings per share, excluding division combination costs, was \$2.00 in 2002, compared with \$2.21 in 2001 and \$2.62 in 2000. Net earnings, excluding division combination costs, totaled \$618 million in 2002, compared with \$703 million in 2001 and \$858 million in 2000. Return on net sales was 4.6% in 2002, compared with 5.1% in 2001 and 6.0% in 2000.

Results, including division combination costs, for the past three years and the related percent of net sales were:

(dollars in millions, except per share)	2002		2001		2000	
	\$	%	\$	%	\$	%
Net sales	\$13,491	100.0 %	\$13,883	100.0 %	\$14,210	100.0 %
Cost of sales:						
Recurring	9,440	70.0	9,632	69.4	9,798	68.9
Nonrecurring-division combination markdowns	23	0.2	-	0.0	-	0.0
Selling, general, and administrative	2,772	20.5	2,758	19.9	2,665	18.8
Division combination costs	91	0.7	-	0.0	-	0.0
Interest expense, net	345	2.5	354	2.5	345	2.4
Earnings before income taxes	820	6.1	1,139	8.2	1,402	9.9
Provision for						

income taxes(1)	278	33.9	436	38.3	544	38.8
Net earnings	\$ 542	4.0 %	\$ 703	5.1 %	\$ 858	6.0%
Earnings per share	\$ 1.76		\$ 2.21		\$ 2.62	

(1) Percent of net sales columns represent effective income tax rates.

Fiscal 2000 included 53 weeks. The additional week did not materially affect 2000 earnings.

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Division Sales, Sales per Square Foot, and Retail Square Footage

Store Company: Headquarters	2002	Net Sales in Millions of Dollars	
		2001	2001
Lord & Taylor: New York City	\$ 1,897	\$ 1,971	
Filene's, Kaufmann's: Boston	3,096	3,250	
Robinsons-May, Meier & Frank: Los Angeles	2,466	2,559	
Hecht's, Strawbridge's: Washington, D.C.	2,379	2,462	
Foley's: Houston	1,995	2,107	
Famous-Barr, L.S. Ayres, The Jones Store: St. Louis	1,150	1,214	
Total Department Stores	\$12,983	\$13,563	
Bridal Group: Philadelphia(1)	508	320	
The May Department Stores Company	\$13,491	\$13,883	
Store Company: Headquarters	2002	Net Sales per Square Foot	
		2001	2001
Lord & Taylor: New York City	\$ 171	\$ 185	
Filene's, Kaufmann's: Boston	190	202	
Robinsons-May, Meier & Frank: Los Angeles	181	194	
Hecht's, Strawbridge's: Washington, D.C.	171	181	
Foley's: Houston	157	171	
Famous-Barr, L.S. Ayres, The Jones Store: St. Louis	144	157	
Total Department Stores	\$ 172	\$ 184	
Bridal Group: Philadelphia(1)	244	216	
The May Department Stores Company	\$ 174	\$ 185	
Store Company: Headquarters	2002	Gross Retail Square Footage in Thousands	
		2001	2001
Lord & Taylor: New York City	11,207	10,981	
Filene's, Kaufmann's: Boston	16,480	16,259	
Robinsons-May, Meier & Frank: Los Angeles	13,767	13,509	
Hecht's, Strawbridge's: Washington, D.C.	14,134	13,993	
Foley's: Houston	12,985	12,623	
Famous-Barr, L.S. Ayres, The Jones Store: St. Louis	7,887	7,920	
Total Department Stores	76,460	75,285	
Bridal Group: Philadelphia(1)	2,235	1,930	
The May Department Stores Company	78,695	77,215	

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Store Company: Headquarters	2002	New	Number of Stores	
			Closed	2001
Lord & Taylor: New York City	85	3	2	84
Filene's, Kaufmann's: Boston	97	2	1	96
Robinsons-May, Meier & Frank: Los Angeles	72	1	-	71
Hecht's, Strawbridge's: Washington, D.C.	80	2	2	80
Foley's: Houston	66	2	1	65

Source: MAY DEPARTMENT STORE, 10-K, March 28, 2003

Famous-Barr, L.S. Ayres, The Jones Store: St. Louis	43	1	1	43
Total Department Stores	443	11	7	439
Bridal Group: Philadelphia(1)	425	31	6	400
The May Department Stores Company	868	42	13	839

(1) Results of After Hours and Priscilla of Boston included since their fourth quarter 2001 acquisition.

Net sales per square foot are calculated from net sales and average gross retail square footage.

Gross retail square footage and number of stores represent locations open at the end of the period presented.

Net Sales

Net sales include merchandise sales and lease department income. Store-for-store sales compare sales of stores open during both years beginning the first day a new store has prior-year sales, exclude sales of stores closed during both years, and are adjusted for the effects of years that have a 53rd week.

Net sales increases (decreases) for 2002 and 2001 were:

Quarter	2002		2001	
	Total	Store-for-Store	Total	Store-for-Store
First	0.8 %	(2.4)%	3.4 %	(0.9)%
Second	(2.3)	(5.0)	1.3	(2.7)
Third	(4.6)	(7.3)	(3.7)	(5.8)
Fourth	(4.4)	(6.0)	(7.0)	(6.8)
Year	(2.8) %	(5.3) %	(2.3)%	(4.4)%

The total net sales decrease for 2002 was primarily due to a \$732 million decrease in store-for-store sales, offset by \$395 million of new-store sales. The total net sales decrease for 2001 was due to a \$761 million decrease in store-for-store sales and \$140 million of sales in the 53rd week of 2000, offset by \$499 million of new-store sales, which included David's Bridal.

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Cost of Sales

Cost of sales includes the cost of merchandise, inbound freight, distribution expenses, and buying and occupancy costs. Cost of sales and the related percent of net sales were:

(dollars in millions)	2002		2001		2000	
	\$	%	\$	%	\$	%
Recurring cost of sales	\$9,440	70.0%	\$9,632	69.4%	\$9,798	68.9%
LIFO credit	-	0.0	30	0.2	29	0.2
Recurring cost of sales before LIFO credit	\$9,440	70.0%	\$9,662	69.6%	\$9,827	69.1%
Nonrecurring cost of sales	\$ 23	0.2%	\$ -	0.0%	\$ -	0.0%

Recurring cost of sales as a percent of net sales increased 0.6% in 2002 because of a 0.9% increase in occupancy costs and a 0.2% increase for the effect of the LIFO cost method, offset by a 0.6% decrease in the cost of merchandise. We did not have a LIFO provision or credit in fiscal 2002, compared with a fiscal 2001 LIFO credit of \$30 million (\$0.06 per share). In addition, division combination markdowns of \$23 million were incurred in 2002 to conform merchandise assortments and synchronize pricing and promotional strategies.

Cost of sales as a percent of net sales increased by 0.5% in 2001 compared with 2000 because of an 0.8% increase related to buying and occupancy costs growing as net sales declined, partially offset by a 0.1% increase in the merchandise gross margin rate due to lower markdowns and a 0.2% decrease because of the addition of David's Bridal.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses and the related percent of net sales were:

(dollars in millions)	2002		2001		2000	
	\$	%	\$	%	\$	%
Selling, general, and administrative	\$2,772	20.5%	\$2,758	19.9%	\$2,665	18.8%

As a percent of net sales, selling, general, and administrative expenses

increased from 19.9% in 2001 to 20.5% in 2002 because of a 0.5% increase in payroll and a 0.2% increase in advertising, offset by a 0.2% decrease from the elimination of goodwill amortization.

As a percent of net sales, selling, general, and administrative expenses for 2001 increased by 1.1% compared with 2000 primarily because of a 0.4% increase in department store payroll, a 0.3% increase in employee benefit expenses, and a 0.3% increase from the addition of David's Bridal.

Selling, general, and administrative expenses included advertising and sales promotion costs of \$669 million, \$652 million, and \$632 million in 2002, 2001, and 2000, respectively. As a percent of net sales, advertising and sales promotion costs were 4.9% in 2002, 4.7% in 2001, and 4.5% in 2000.

Finance charge revenues are included as a reduction of selling, general, and administrative expenses for all periods presented. Finance charge revenues were \$261 million in 2002, \$292 in 2001, and \$301 in 2000. In prior years, these amounts were included as a component of revenues.

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Division Combinations

In August 2002, we combined our Kaufmann's division with our Filene's division and our Meier & Frank division with our Robinsons-May division. In 2002, we also announced the closure of the Arizona Credit Center and the realignment of our data centers. Pretax charges associated with these activities were \$114 million or \$0.24 per share, which consisted of \$23 million as cost of sales and \$91 million as other operating expenses. We anticipate that these combinations will save approximately \$65 million (pretax) annually.

Remaining severance payments of \$17 million related to the division combinations are expected to be paid in 2003 and 2004.

Interest Expense

Interest expense components were:

(dollars in millions)	2002	2001	2000
Interest expense	\$378	\$383	\$373
Interest income	(10)	(7)	(11)
Capitalized interest	(23)	(22)	(17)
Interest expense, net	\$345	\$354	\$345
Percent of net sales	2.5%	2.5%	2.4%

The decrease in interest expense in 2002 was primarily due to lower interest on both long-term and short-term debt, offset by a \$5 million increase in early debt redemption costs.

Income Taxes

The effective income tax rate for 2002 was 33.9%, compared with 38.3% in 2001 and 38.8% in 2000. The rate reduction in 2002 is due to the favorable impact of eliminating goodwill amortization, corporate structure changes, changes in tax regulations, and a 3.0% benefit for the recent resolution of various matters.

Impact of Inflation

Inflation did not have a material impact on our 2002 net sales and earnings. We value inventory principally on a LIFO basis, and as a result the current cost of merchandise is reflected in current operating results.

REVIEW OF FINANCIAL CONDITION

Return on Equity

Return on equity is our principal measure for evaluating our performance for shareowners and our ability to invest shareowners' funds profitably. Excluding division combination costs, return on beginning equity was 16.1% in 2002, compared with 18.2% in 2001 and 21.0% in 2000. Including division combination costs, return on beginning equity was 14.1% in 2002.

Return on Net Assets

Return on net assets measures performance independent of capital structure. Return on net assets is pretax earnings before net interest expense and the interest component of operating leases, divided by beginning-of-year net assets (including present value of operating leases). Excluding division combination costs, return on net assets was 12.9% in 2002, compared with 15.5% in 2001 and 19.5% in 2000. Including division combination costs, return on net assets was 11.8% in 2002.

Cash Flows

Cash flows from operations was \$1.5 billion in 2002. This compares with \$1.6 billion in 2001 and \$1.3 billion in 2000. The decrease in cash flows from operations in 2002 related primarily to the decrease in 2002 earnings.

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Sources (uses) of cash flows were:

(dollars in millions)	2002	2001	2000
Net earnings	\$ 542	\$ 703	\$ 858
Depreciation and amortization	557	559	511
Working capital (increases) decreases	335	339	(71)
Other operating activities	26	43	48
Cash flows from operations	1,460	1,644	1,346
Net capital expenditures	(790)	(756)	(550)
Business combinations	-	(425)	(420)
Cash flows used for investing activities	(790)	(1,181)	(970)
Net long-term debt issuances (repayments)	(434)	72	835
Net short-term debt issuances	72	78	-
Net purchases of common stock	(14)	(420)	(792)
Dividend payments	(291)	(297)	(304)
Cash flows used for financing activities	(667)	(567)	(261)
Increase (decrease) in cash and cash equivalents	\$ 3	\$ (104)	\$ 115

See "Consolidated Statements of Cash Flows" on page 22.

Capital Expenditures

In 2002, capital expenditures were primarily made for new stores, remodels, and expansions. Our strong financial condition enables us to make capital expenditures to enhance growth and improve operations. The operating measures we emphasize when we invest in new stores and remodel or expand existing stores include return on net assets, internal rate of return, and net sales per square foot.

The 2001 capital expenditures include the purchase of 15 former Wards and Bradlees stores. These stores are operating as new store or expansions to existing stores.

Business Combinations

In the fourth quarter of 2001, we acquired After Hours and Priscilla of Boston for an aggregate cost of \$121 million. In March 2001, we purchased nine department stores in the Tennessee and Louisiana markets from Saks Incorporated for approximately \$304 million. In August 2000, David's Bridal joined May. The cost of this transaction was approximately \$420 million. These business combinations were accounted for as purchases.

Liquidity, Available Credit, and Debt Ratings

We finance our activities primarily with cash flows from operations, borrowings under credit facilities, and issuances of long-term debt. We have \$1.0 billion of credit under unsecured revolving facilities consisting of a \$700 million multi-year credit agreement expiring July 31, 2006, and a \$300 million 364-day credit agreement expiring July 29, 2003. These credit agreements support our commercial paper borrowings. As of February 1, 2003, there was \$150 million of commercial paper outstanding. Financial covenants under the credit agreements include a minimum fixed-charge coverage ratio and a maximum debt-to-capitalization ratio. We also maintain a \$30 million credit facility with a group of minority-owned banks. In addition, we have filed a shelf registration statement with the Securities and Exchange Commission that enables us to issue up to \$525 million of debt securities.

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Annual maturities of long-term debt, including sinking fund requirements, are \$139 million, \$239 million, \$154 million, \$131 million, and \$260 million for 2003 through 2007. Interest payments on long-term debt are typically paid on a semi-annual basis.

As of March 14, 2003, our bonds are rated A2 by Moody's Investors Service, Inc. and A by Standard & Poor's Corporation. Our commercial paper is rated P1 by Moody's and A1 by Standard & Poor's. Our senior unsecured bank credit agreement is rated A1 by Moody's.

Off-balance-sheet Financing

We do not sell or securitize customer accounts receivable. We have not entered into off-balance-sheet financing or other arrangements with any special-purpose entity. Our existing operating leases do not contain any significant termination payments if lease options are not exercised. The present value of operating leases (minimum rents) was \$534 million as of February 1, 2003.

Financial Ratios

Our debt-to-capitalization and fixed-charge coverage ratios are consistent with our capital structure objective. Our capital structure provides us with substantial financial and operational flexibility.

The debt-to-capitalization ratios were 48%, 51%, and 50% for 2002, 2001, and 2000, respectively. For purposes of the debt-to-capitalization ratio, we define total debt as short-term and long-term debt (including the Employee Stock Ownership Plan [ESOP] debt reduced by unearned compensation) and the capitalized value of all leases, including operating leases. We define capitalization as total debt, noncurrent deferred taxes, ESOP preference

shares, and shareowners' equity. See "Profit Sharing" on page 27 for discussion of the ESOP.

The fixed-charge coverage ratios were 2.8x in 2002, 3.5x in 2001, and 4.2x in 2000. The ratio decline in 2002 was due to lower operating earnings, compared with 2001, and division combination costs. The ratio excluding division combination costs was 3.1x in 2002. The ratio declined in 2001 because of lower operating earnings and higher interest expense, compared with 2000.

Employee Stock Options

Effective February 2, 2003, we began expensing the fair value of employee stock options. We adopted the fair value method prospectively. The expense associated with stock options is expected to be \$0.01 per share in 2003, growing to approximately \$0.07 per share by 2006.

Common Stock Dividends and Market Prices

Our dividend policy is based on earnings growth and capital investment requirements. We increased the annual dividend by \$0.01 to \$0.96 per share effective with the March 2003 dividend. This is our 28th consecutive annual dividend increase. We have paid consecutive quarterly dividends since 1911.

The quarterly price ranges of the common stock and dividends per share in 2002 and 2001 were:

Quarter	2002		Dividends per Share	2001		Dividends per Share
	High	Low		High	Low	
First	\$37.75	\$33.04	\$0.2375	\$41.25	\$33.85	\$0.2350
Second	37.08	25.74	0.2375	37.29	30.61	0.2350
Third	30.50	20.10	0.2375	34.90	27.00	0.2350
Fourth	26.10	20.08	0.2375	38.86	33.17	0.2350
Year	\$37.75	\$20.08	\$0.9500	\$41.25	\$27.00	\$0.9400

The approximate number of common shareowners as of March 1, 2003, was 40,000.

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Critical Accounting Policies

In 2002, approximately 37% of our net sales were made under our department store credit programs, which resulted in customer accounts receivable balances of approximately \$1.8 billion at February 1, 2003. We have significant experience in managing our credit programs. Our allowance for doubtful accounts is based upon a number of factors including account write-off experience, account aging, and year-end balances. We do not expect actual results to vary significantly from our estimate.

We use the retail inventory method. Under this method, we record markdowns to value merchandise inventories at net realizable value. We closely monitor actual and forecasted sales trends, current inventory levels, and aging information by merchandise categories. If forecasted sales are not achieved, additional markdowns may be needed in future periods to clear excess or slow-moving merchandise, which may result in lower gross margins.

When a store experiences unfavorable operating performance, we evaluate whether an impairment charge should be recorded. A store's assets are evaluated for impairment by comparing its estimated undiscounted cash flows to its carrying value. If the cash flows are not sufficient to recover the carrying value, the assets are written down to fair value. Impairment losses associated with these reviews have not been significant. However, if store-for-store sales declines and general negative economic trends continue, future impairment losses may be significant.

We self-insure a portion of the exposure for costs related to workers' compensation and general liability. Expenses are recorded based on actuarial estimates for reported and incurred but not reported claims considering a number of factors, including historical claims experience, severity factors, litigation costs, inflation, and other actuarial assumptions. Although we do not expect the amount we will ultimately pay to differ significantly from our estimates, self-insurance reserves could be affected if future claims experience differs significantly from the historical trends and our assumptions.

We use various assumptions and estimates to measure the expense and funded status of our pension plans. Those assumptions and estimates include discount rates, rates of return on plan assets, rates of future compensation increases, employee turnover rates, and anticipated mortality rates. The use of different assumptions and estimates in our pension plans could result in a significantly different funded status and plan expense. Based on current estimates and assumptions, we believe our 2003 pension expense will be approximately \$105 million.

Impact of New Accounting Pronouncements

In the first quarter of fiscal 2002, we adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," which eliminates goodwill amortization and prescribes a new approach for

assessing potential goodwill impairments. Our transitional assessment of potential goodwill impairments under SFAS No. 142 did not identify any impairment. Goodwill amortization incurred in 2001 was \$42 million or \$0.11 per share and \$33 million or \$0.09 per share in 2000. Net earnings excluding goodwill amortization was \$740 million or \$2.32 per share in 2001 and \$888 million or \$2.71 per share in 2000.

In 2002, we adopted SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 eliminates the requirement to classify gains and losses from the extinguishment of indebtedness as extraordinary, requires certain lease modifications to be treated the same as a sale-leaseback transaction, and makes other nonsubstantive technical corrections to existing pronouncements. The impact of adopting SFAS No. 145 was the reclassification of the 2001 extraordinary loss of \$3 million (net of \$2 million in taxes) to interest expense and income taxes, and the classification of early debt redemption costs of \$10 million as interest expense in the current year.

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In 2002, we adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 changes the timing of when certain costs associated with restructuring activities may be recognized. SFAS No. 146 is effective for exit or disposal activities initiated after December 31, 2002. The combination of our Kaufmann's division with our Filene's division and our Meier & Frank division with our Robinsons-May division was initiated in May 2002 and recorded in accordance with the rules effective at that time. The closure of the Arizona Credit Center and the data center realignment were recorded in accordance with SFAS No. 146.

In 2002, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 02-16, "Accounting by a Customer (Including a Reseller) for Cash Consideration Received from a Vendor." EITF Issue No. 02-16 provides guidance on how cash consideration received by a customer or reseller should be classified in the customer's statement of earnings. We do not expect EITF Issue No. 02-16 to have a material impact on our consolidated financial position or operating results.

Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk primarily arises from changes in interest rates on short-term debt. Short-term debt has generally been used to finance seasonal working capital needs resulting in minimal exposure to interest rate fluctuations. Long-term debt is at fixed interest rates. Our merchandise purchases are denominated in United States dollars. Operating expenses of our international buying offices located outside the United States are generally paid in local currency and are not material. During fiscal 2002, 2001, and 2000, we did not enter into any derivative financial instruments.

Forward-looking Statements

Management's Discussion and Analysis contains forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. While such statements reflect all available information and management's judgment and estimates of current and anticipated conditions and circumstances and are prepared with the assistance of specialists within and outside the company, there are many factors outside of our control that have an impact on our operations. Such factors include but are not limited to competitive changes, general and regional economic conditions, consumer preferences and spending patterns, availability of adequate locations for building or acquiring new stores, our ability to hire and retain qualified associates, and our ability to manage the business to minimize the disruption of sales and customer service as a result of the division combinations. Because of these factors, actual performance could differ materially from that described in the forward-looking statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Information required by this item is included in Quantitative and Qualitative Disclosures About Market Risk in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations," which is incorporated herein by reference.

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Item 8. Financial Statements and Supplementary Data

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareowners of
The May Department Stores Company

We have audited the accompanying consolidated balance sheet of The May Department Stores Company and subsidiaries (the "Company") as of February 1, 2003, and the related consolidated statement of earnings, shareowners' equity, and cash flows for the year then ended. Our audit also included the financial statement schedule, as of and for the year ended February 1, 2003, listed at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audit. The consolidated financial statements and financial statement schedule of the Company as of February 2, 2002 and for the years ended February 2, 2002 and February 3, 2001 (fiscal 2001 and 2000, respectively), before the inclusion of the transitional disclosures and reclassifications discussed in the notes to the consolidated financial statements, were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements and stated that such fiscal 2001 and 2000 financial statement schedules, when considered in relation to the fiscal 2001 and 2000 basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein, in their reports dated February 13, 2002.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the fiscal 2002 consolidated financial statements present fairly, in all material respects, the financial position of the Company as of February 1, 2003 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the fiscal 2002 financial statement schedule, when considered in relation to the basic consolidated financial statements taken as whole, presents fairly, in all material respects, the information set forth therein.

As discussed in notes to the consolidated financial statements, in fiscal 2002 the Company changed its method of accounting for goodwill to conform to Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets."

As discussed above, the Company's fiscal 2001 and 2000 consolidated financial statements were audited by other auditors who have ceased operations. As described in the notes, these financial statements have been revised to include the transitional disclosures required by SFAS No. 142 and to reflect the adoption of SFAS No. 145, "Rescission of FASB Statements 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections." Our audit procedures with respect to the disclosures in the notes with respect to 2001 and 2000 included (1) comparing the previously reported net earnings to the previously issued consolidated financial statements and the adjustments to

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reported net earnings representing amortization expense (including any related tax effects) recognized in those periods related to goodwill as a result of initially applying SFAS No. 142 (including any related tax effects) to the Company's underlying analysis obtained from management, and (2) testing the mathematical accuracy of the reconciliation of adjusted net earnings to reported net earnings, and the related earnings-per-share amounts. Our audit procedures with respect to the 2001 reclassifications described in the notes, that were applied to conform the 2001 consolidated financial statements to the presentation required by SFAS No. 145, included (1) comparing the amount shown as extraordinary loss, net of tax in the Company's consolidated statement of earnings to the Company's underlying accounting analysis obtained from management, (2) comparing the amounts comprising the loss on extinguishment of debt and the related tax benefit to the Company's underlying accounting records obtained from management, and (3) testing the mathematical accuracy of the underlying analysis. In our opinion, the disclosures for 2001 and 2000 related to SFAS No. 142 in the notes are appropriate and the reclassifications for 2001 have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the 2001 and 2000 consolidated financial statements of the Company other than with respect to such disclosures and reclassifications and, accordingly, we do not express an opinion or any other form of assurance on the 2001 and 2000 consolidated financial statements taken as a whole.

/s/Deloitte & Touche LLP
St. Louis, Missouri
February 12, 2003

The following report is a copy of a report previously issued by Arthur Andersen LLP in connection with the company's annual report on Form 10-K for the year ended February 2, 2002. This opinion has not been reissued by Arthur Andersen LLP. In fiscal 2002, the company adopted SFAS No. 142, "Goodwill and Other Intangible Assets" and SFAS No. 145, "Rescission of FASB Statement No. 4, 44

and 64, Amendment of FASB Statement No. 13 and Technical Corrections." As discussed in the notes to the consolidated financial statements, the company has presented the transitional disclosures for fiscal 2001 and 2000 required by SFAS No. 142 and adjusted the 2001 consolidated financial statements as a result of adoption of SFAS No. 145. The Arthur Andersen LLP report does not extend to these transitional disclosures or adjustments. These disclosures and adjustments are reported on by Deloitte & Touche LLP as stated in their report appearing herein.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareowners of
The May Department Stores Company

We have audited the accompanying consolidated balance sheets of The May Department Stores Company (a Delaware corporation) and subsidiaries as of February 2, 2002, and February 3, 2001, and the related consolidated statement of earnings, shareowners' equity and cash flows for each of the three fiscal years in the period ended February 2, 2002. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used

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and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The May Department Stores Company and subsidiaries as of February 2, 2002, and February 3, 2001, and the results of their operations and their cash flows for each of the three fiscal years in the period ended February 2, 2002, in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule II included in this Form 10-K is presented for the purpose of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/Arthur Andersen LLP
1010 Market Street
St. Louis, Missouri 63101-2089
February 13, 2002

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CONSOLIDATED STATEMENTS OF EARNINGS

(dollars in millions, except per share)	2002	2001	2000
Net sales	\$13,491	\$13,883	\$14,210
Cost of sales:			
Recurring	9,440	9,632	9,798
Nonrecurring-division combination markdowns	23	-	-
Selling, general, and administrative expenses	2,772	2,758	2,665
Division combination costs	91	-	-
Interest expense, net	345	354	345
Earnings before income taxes	820	1,139	1,402
Provision for income taxes	278	436	544

Net earnings	\$ 542	\$ 703	\$ 858
Basic earnings per share	\$ 1.82	\$ 2.31	\$ 2.74
Diluted earnings per share	\$ 1.76	\$ 2.21	\$ 2.62

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

(dollars in millions, except per share)	February 1, 2003	February 2, 2002
Assets		
Current assets:		
Cash	\$ 21	\$ 20
Cash equivalents	34	32
Accounts receivable, net of allowance for doubtful accounts of \$114 and \$90	1,741	1,938
Merchandise inventories	2,857	2,875
Other current assets	69	60
Total current assets	4,722	4,925
Property and equipment:		
Land	361	339
Buildings and improvements	4,753	4,536
Furniture, fixtures, equipment, and other	4,034	4,062
Property under capital leases	57	59
Total property and equipment	9,205	8,996
Accumulated depreciation	(3,739)	(3,732)
Property and equipment, net	5,466	5,264
Goodwill	1,441	1,433
Intangible assets, net of accumulated amortization of \$19 and \$8	176	179
Other assets	131	119
Total assets	\$ 11,936	\$ 11,920
Liabilities and shareowners' equity		
Current liabilities:		
Short-term debt	\$ 150	\$ 78
Current maturities of long-term debt	139	255
Accounts payable	1,099	1,023
Accrued expenses	1,014	900
Income taxes payable	264	272
Total current liabilities	2,666	2,528
Long-term debt	4,035	4,403
Deferred income taxes	710	696
Other liabilities	377	370
ESOP preference shares	265	286
Unearned compensation	(152)	(204)
Shareowners' equity:		
Common stock	144	144
Additional paid-in capital	9	-
Retained earnings	3,957	3,709
Accumulated other comprehensive loss	(75)	(12)
Total shareowners' equity	4,035	3,841
Total liabilities and shareowners' equity	\$ 11,936	\$ 11,920

Common stock has a par value of \$0.50 per share; 1 billion shares are authorized. At February 1, 2003, 320.5 million shares were issued, with 288.3 million shares outstanding and 32.2 million shares held in treasury. At February 2, 2002, 470.5 million shares were issued, with 287.2 million shares outstanding and 183.3 million shares held in treasury.

ESOP preference shares have a par value of \$0.50 per share and a stated value of \$507 per share; 800,000 shares are authorized. At February 1, 2003, 522,587 shares (convertible into 17.7 million shares of common stock) were issued and outstanding. At February 2, 2002, 564,047 shares (convertible into 19.1 million shares of common stock) were issued and outstanding.

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in millions)	2002	2001	2000
Operating activities			
Net earnings	\$ 542	\$ 703	\$ 858
Adjustments for noncash items included in earnings:			
Depreciation and other amortization	546	511	476
Goodwill and other intangible amortization	11	48	35
Deferred income taxes	34	63	59
Working capital changes:			
Accounts receivable, net	196	180	97
Merchandise inventories	(6)	103	(77)
Other current assets	19	34	(9)
Accounts payable	77	51	(77)
Accrued expenses	(57)	(10)	(70)
Income taxes payable	(8)	(19)	65
Division combination costs	114	-	-
Other assets and liabilities, net	(8)	(20)	(11)
Cash flows from operations	1,460	1,644	1,346
Investing activities			
Capital expenditures	(798)	(797)	(598)
Proceeds from dispositions of property and equipment	8	41	48
Business combinations	-	(425)	(420)
Cash flows used for investing activities	(790)	(1,181)	(970)
Financing activities			
Issuances of long-term debt	-	250	1,076
Repayments of long-term debt	(434)	(178)	(241)
Net issuances of short-term debt	72	78	-
Purchases of common stock	(45)	(474)	(828)
Issuances of common stock	31	54	36
Dividend payments	(291)	(297)	(304)
Cash flows used for financing activities	(667)	(567)	(261)
Increase (decrease) in cash and cash equivalents	3	(104)	115
Cash and cash equivalents, beginning of year	52	156	41
Cash and cash equivalents, end of year	\$ 55	\$ 52	\$ 156
Cash paid during the year:			
Interest expense	\$ 369	\$ 344	\$ 376
Income taxes	225	369	414

See Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF SHAREOWNERS' EQUITY

(dollars in millions, shares in thousands)	Outstanding Common Shares	Stock \$	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareowners' Equity
Balance at January 29, 2000	325,465	\$163	\$ -	\$3,914	\$ -	\$4,077
Net earnings	-	-	-	858	-	858
Dividends paid:						
Common stock (\$0.93 per share)	-	-	-	(286)	-	(286)
ESOP preference shares, net of tax benefit	-	-	-	(18)	-	(18)
Common stock issued	2,350	1	51	-	-	52
Common stock purchased	(29,645)	(15)	(51)	(762)	-	(828)
Balance at February 3, 2001	298,170	149	-	3,706	-	3,855
Net earnings	-	-	-	703	-	703
Minimum pension liability, net	-	-	-	-	(12)	(12)
Comprehensive earnings						691
Dividends paid:						
Common stock (\$0.94 per share)	-	-	-	(278)	-	(278)
ESOP preference shares, net of tax benefit	-	-	-	(19)	-	(19)
Common stock issued	3,038	2	64	-	-	66
Common stock purchased	(14,035)	(7)	(64)	(403)	-	(474)
Balance at February 2, 2002	287,173	144	-	3,709	(12)	3,841
Net earnings	-	-	-	542	-	542

Source: MAY DEPARTMENT STORE, 10-K, March 28, 2003

Minimum pension liability, net	-	-	-	-	(63)	(63)
Comprehensive earnings						479
Dividends paid:						
Common stock (\$0.95 per share)	-	-	-	(273)	-	(273)
ESOP preference shares, net of tax benefit	-	-	-	(18)	-	(18)
Common stock issued	2,723	1	51	-	-	52
Common stock purchased	(1,645)	(1)	(42)	(3)	-	(46)
Balance at February 1, 2003	288,251	\$144	\$ 9	\$3,957	\$ (75)	\$4,035

					Treasury Shares	
(shares in thousands)			2002	2001		2000
Balance, beginning of year			183,282	172,285		144,990
Common stock issued:						
Exercise of stock options			(935)	(1,588)		(569)
Deferred compensation plan			(151)	(231)		(221)
Restricted stock grants, net of forfeitures			(236)	(337)		(158)
Conversion of ESOP preference shares			(1,401)	(876)		(1,089)
Contribution to profit sharing plan			-	(6)		(313)
			(2,723)	(3,038)		(2,350)
Common stock purchased			1,645	14,035		29,645
Common stock retired			(150,000)	-		-
Balance, end of year			32,204	183,282		172,285

Outstanding common stock excludes shares held in treasury.

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year

The company's fiscal year ends on the Saturday closest to January 31. Fiscal years 2002, 2001, and 2000 ended on February 1, 2003, February 2, 2002, and February 3, 2001, respectively. Fiscal years 2002 and 2001 included 52 weeks. Fiscal year 2000 included 53 weeks. The additional week did not materially affect 2000 earnings. References to years in this annual report relate to fiscal years or year-ends rather than calendar years.

Basis of Reporting

The consolidated financial statements include the accounts of The May Department Stores Company, a Delaware corporation, and all subsidiaries (May or the company). All intercompany transactions are eliminated. The company operates as one reportable segment. The company's 443 quality department stores are operated by six regional department store divisions across the United States under 11 long-standing and widely recognized trade names. The company aggregates its six department store divisions into a single reportable segment because they have similar economic and operating characteristics. In addition, the Bridal Group operates 180 David's Bridal stores, 235 After Hours Formalwear (After Hours) stores, and 10 Priscilla of Boston stores.

Use of Estimates

Management makes estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual results could differ from these estimates.

Net Sales

Net sales include merchandise sales and lease department income. Merchandise sales are recognized at the time the sale is made to the customer, are net of estimated returns and promotional coupons, and exclude sales tax. Lease department income is recognized based on a percentage of lease department sales, net of estimated returns.

Cost of Sales

Cost of sales includes the cost of merchandise, inbound freight, distribution expenses, and buying and occupancy costs.

Vendor Allowances

The company has arrangements with some vendors in which it receives cash or allowances when merchandise does not achieve anticipated rates of sale. The amounts recorded for these arrangements are recognized as reductions of cost of sales.

Preopening Expenses

Preopening expenses of new stores are expensed as incurred.

Advertising Costs

Advertising and sales promotion costs are expensed at the time the advertising occurs. These costs are net of cooperative advertising reimbursements and are included in selling, general, and administrative expenses. Advertising and sales promotion costs were \$669 million, \$652 million, and \$632 million in 2002, 2001, and 2000, respectively.

Finance Charge Revenues

Finance charge revenues are recognized in accordance with the contractual provisions of customer agreements and are included as a reduction of selling, general, and administrative expenses for all periods presented. Finance charge revenues were \$261 million, \$292 million, and \$301 million in 2002, 2001, and 2000, respectively. In prior years, these amounts were included as a component of revenues.

Income Taxes

Income taxes are accounted for by the liability method. The liability method applies statutory tax rates in effect at the date of the balance sheet to differences between the book basis and the tax basis of assets and liabilities.

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Earnings per Share

References to earnings per share relate to diluted earnings per share.

Stock-based Compensation

The company accounts for stock-based compensation by applying Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," as allowed under Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation."

Effective February 2, 2003, the company began expensing the fair value of employee stock options. The company adopted the fair value method prospectively. The expense associated with stock options is expected to be \$0.01 per share in 2003.

Cash Equivalents

Cash equivalents consist primarily of commercial paper with maturities of less than three months. Cash equivalents are stated at cost, which approximates fair value.

Merchandise Inventories

Merchandise inventories are principally valued at the lower of LIFO (last-in, first-out) cost basis or market using the retail method. Merchandise inventories on a FIFO (first-in, first-out) cost basis approximate LIFO.

Property and Equipment

Property and equipment are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives. Properties under capital leases and leasehold improvements are amortized over the shorter of their useful lives or related lease terms. Software development costs are capitalized and amortized over the expected useful life. Capitalized interest was \$23 million, \$22 million, and \$17 million in 2002, 2001, and 2000, respectively. The estimated useful life for each major class of long-lived asset is as follows:

Buildings and improvements:	
Buildings and improvements	10-50 years
Leasehold interests	5-30 years
Furniture, fixtures, equipment, and other:	
Furniture, fixtures, and equipment	3-15 years
Software development costs	2-7 years
Rental formalwear	2-4 years
Property under capital leases	16-50 years

Goodwill and Other Intangibles

Goodwill represents the excess of cost over the fair value of net tangible and separately recognized intangible assets acquired at the dates of acquisition. The company completes its annual goodwill impairment test in the fourth quarter. The 2002 test identified no impairment. Other intangibles include trade names and customer lists and are amortized using the straight-line method over a period of three to 40 years.

Impairment of Long-lived Assets

Long-lived assets and certain identifiable intangibles are reviewed when events or circumstances indicate that the net book value may not be recoverable. The estimated future undiscounted cash flows associated with the asset are compared with the asset's carrying amount to determine if a write-down to fair value is required. Impairment losses resulting from these reviews have not been significant. However, if store-for-store sales declines and general negative economic trends continue, future impairment losses may be significant.

Financial Derivatives

The company did not enter into any derivative financial instruments in 2002, 2001, or 2000.

Impact of New Accounting Pronouncements

In the first quarter of 2002, the company adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which eliminates goodwill amortization and prescribes

a new approach for assessing potential goodwill impairments. The company's

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transitional assessment of potential goodwill impairments under SFAS No. 142 did not identify any impairment. The following table illustrates the impact of goodwill amortization on the results of 2001 and 2000.

(millions, except per share)	2002	2001	2000
Reported net earnings	\$ 542	\$ 703	\$ 858
Add back: Goodwill amortization, net of tax	-	37	30
Adjusted net earnings	\$ 542	\$ 740	\$ 888
Basic earnings per share:			
Reported net earnings	\$ 1.82	\$ 2.31	\$ 2.74
Add back: Goodwill amortization, net of tax	-	0.12	0.10
Adjusted basic earnings per share	\$ 1.82	\$ 2.43	\$ 2.84
Diluted earnings per share:			
Reported net earnings	\$ 1.76	\$ 2.21	\$ 2.62
Add back: Goodwill amortization, net of tax	-	0.11	0.09
Adjusted diluted earnings per share	\$ 1.76	\$ 2.32	\$ 2.71

In 2002, the company adopted SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 eliminates the requirement to classify gains and losses from the extinguishment of indebtedness as extraordinary, requires certain lease modifications to be treated the same as a sale-leaseback transaction, and makes other nonsubstantive technical corrections to existing pronouncements. The impact of adopting SFAS No. 145 was the reclassification of the 2001 extraordinary losses of \$3 million (net of \$2 million in taxes) to interest expense and income taxes, and the classification of early debt redemption costs of \$10 million as interest expense in the current year.

In 2002, the company adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 changes the timing of when certain costs associated with restructuring activities may be recognized. SFAS No. 146 is effective for exit or disposal activities initiated after December 31, 2002. The combination of Kaufmann's with Filene's and Meier & Frank with Robinsons-May was initiated in May 2002 and recorded in accordance with the rules effective at that time. The closure of the Arizona Credit Center and the data center realignment were recorded in accordance with SFAS No. 146.

In 2002, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 02-16, "Accounting by a Customer (Including a Reseller) for Cash Consideration Received from a Vendor." EITF Issue No. 02-16 provides guidance on how cash consideration received by a customer or reseller should be classified in the customer's statement of earnings. The company does not expect EITF Issue No. 02-16 to have a material impact on its consolidated financial position or operating results.

Reclassifications

Certain prior-year amounts have been reclassified to conform with the current-year presentation.

DIVISION COMBINATIONS

In August 2002, the company combined its Kaufmann's division with its Filene's division and its Meier & Frank division with its Robinsons-May division. In January 2003, the company also announced the closures of the Arizona Credit Center and the realignment of its data centers. Pretax charges associated with these activities were \$114 million, which consisted of \$23 million as cost of sales and \$91 million as other operating expenses. The \$114 million charge includes a \$6 million reduction of charges recorded during the first three quarters of 2002 because of changes in estimates of those amounts.

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The significant components of the division combination costs and status of the related liability are summarized below:

(dollars in millions)	Charges	Estimate Revision	Payments	Non-cash Uses	Balance at Feb. 1, 2003
Severance and relocation benefits	\$ 65	\$(6)	\$ (42)	\$ -	\$ 17
Inventory alignment	23	-	-	(23)	-
Central office closure	15	-	(4)	(11)	-
Other	17	-	(10)	-	7
Total	\$120	\$(6)	\$ (56)	\$(34)	\$ 24

Severance and relocation benefits include severance for approximately 2,000 associates and the costs to relocate certain employees. Inventory alignment includes the markdowns incurred to conform merchandise assortments and to synchronize pricing and promotional strategies. Central office closure

primarily includes accelerated depreciation of fixed assets in the closed central offices. Remaining severance costs will be paid by the end of fiscal 2004.

PROFIT SHARING

The company has a qualified profit sharing plan that covers most associates who work 1,000 hours or more in a year and have attained age 21. The plan is a defined-contribution program that provides for discretionary matching allocations at a variable matching rate generally based upon changes in the company's annual earnings per share, as defined in the plan. The plan's matching allocation value totaled \$28 million for 2002, an effective match rate of 46%. The matching allocation values were \$33 million in 2001 and \$52 million in 2000.

The plan includes an Employee Stock Ownership Plan (ESOP) under which the plan borrowed \$400 million in 1989, guaranteed by the company, at an average rate of 8.5%. The proceeds were used to purchase \$400 million (788,955 shares) of convertible preference stock of the company (ESOP preference shares). Each share is convertible into 33.787 shares of common stock and has a stated value of \$15.01 per common share equivalent. The annual dividend rate on the ESOP preference shares is 7.5%.

The \$152 million outstanding portion of the guaranteed ESOP debt is reflected on the consolidated balance sheet as long-term debt because the company will fund the required debt service through 2004. The company's contributions to the ESOP and the dividends on the ESOP preference shares are used to repay the loan principal and interest. Interest expense associated with the ESOP debt was \$14 million in 2002, \$18 million in 2001, and \$22 million in 2000. ESOP preference shares' dividends were \$20 million in 2002, \$22 million in 2001, and \$23 million in 2000.

The release of ESOP preference shares is based upon debt-service payments. Upon release, the shares are allocated to participating associates' accounts. Unearned compensation, initially an equal offsetting amount to the \$400 million guaranteed ESOP debt, has been adjusted for the difference between the expense related to the ESOP and cash payments to the ESOP. It is reduced as principal is repaid.

The company's profit sharing expense was \$40 million in 2002, \$47 million in 2001, and \$41 million in 2000.

At February 1, 2003, the plan beneficially owned 13.3 million shares of the company's common stock and 100% of the company's ESOP preference shares, representing 10.1% of the company's common stock.

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PENSION AND OTHER POSTRETIREMENT BENEFITS

The company has a qualified defined-benefit plan that covers most associates who work 1,000 hours or more in a year and have attained age 21. The company also maintains two nonqualified, supplementary defined-benefit plans for certain associates. All plans are noncontributory and provide benefits based upon years of service and pay during employment.

Pension expense is based on information provided by an outside actuarial firm that uses assumptions to estimate the total benefits ultimately payable to associates and allocates this cost to service periods. The actuarial assumptions used to calculate pension costs are reviewed annually.

The components of net periodic benefit costs and actuarial assumptions for the benefit plans were:

(dollars in millions)	2002	2001	2000
Components of pension expense (all plans)			
Service cost	\$43	\$39	\$34
Interest cost	55	53	51
Expected return on assets	(38)	(42)	(48)
Net amortization(1)	12	12	4
Total	\$72	\$62	\$41

(1) Prior service cost and actuarial (gain) loss are amortized over the remaining service period.

(as of January 1)	2003	2002	2001
Actuarial assumptions			
Discount rate	6.75%	7.25%	7.50%
Expected return on plan assets	7.00	7.50	7.75
Salary increase	4.00	4.00	4.25

The accumulated benefit obligations (ABO), change in projected benefit obligations (PBO), change in net plan assets, and funded status of the benefit plans were:

(dollars in millions)	Qualified Plan		Nonqualified Plans	
	2002	2001	2002	2001

Change in PBO(1)				
PBO at beginning of year	\$ 638	\$592	\$ 170	\$ 147
Service cost	39	35	4	4
Interest cost	44	42	11	11
Actuarial loss(2)	53	23	-	15
Plan amendments	15	2	(1)	1
Benefits paid	(62)	(56)	(9)	(8)
PBO at end of year	\$ 727	\$638	\$ 175	\$ 170
ABO at end of year(3)	\$ 641	\$570	\$ 152	\$ 147

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(dollars in millions)	Qualified Plan 2002	Plan 2001	Nonqualified 2002	Plans 2001
Change in net plan assets				
Fair value of net plan assets at beginning of year	\$ 549	\$578	\$ -	\$ -
Actual return on plan assets	(47)	(16)	-	-
Employer contribution	54	43	-	-
Benefits paid	(62)	(56)	-	-
Fair value of net plan assets at end of year	\$ 494	\$549	\$ -	\$ -
Funded status (PBO less plan assets)	\$ (233)	\$ (89)	\$ (175)	\$ (170)
Unrecognized net actuarial loss	192	54	40	41
Unrecognized prior service cost	60	54	11	14
Net prepaid (accrued) benefit cost	\$ 19	\$ 19	\$ (124)	\$ (115)
Plan assets (less than) ABO	\$ (147)	\$ (21)	\$ (152)	\$ (147)
Amounts recognized in the balance sheets(4)				
Accrued benefit liability	\$ (147)	\$ (21)	\$ (152)	\$ (147)
Intangible asset	60	40	11	13
Accumulated other comprehensive loss	106	-	17	19
Net amount recognized	\$ 19	\$ 19	\$ (124)	\$ (115)

- (1) PBO is the actuarial present value of benefits attributed by the benefit formula to prior associate service; it takes into consideration future salary increases.
- (2) Actuarial loss is the change in benefit obligations or plan assets resulting from changes in actuarial assumptions or from experience different than assumed.
- (3) ABO is the actuarial present value of benefits attributed by the pension benefit formula to prior associate service based on current and past compensation levels.
- (4) Accrued benefit liability is included in accrued expenses and other liabilities. Intangible pension assets are included in other assets. Accumulated other comprehensive loss, net of tax benefit, is included in equity.

The company also provides postretirement life and/or health benefits for certain associates. As of February 1, 2003, the company's estimated PBO (at a discount rate of 6.75%) for postretirement benefits was \$62 million, of which \$49 million was accrued in other liabilities. As of February 2, 2002, the company's estimated PBO (at a discount rate of 7.25%) for postretirement benefits was \$52 million, of which \$49 million was accrued in other liabilities. The postretirement plan is unfunded. The postretirement benefit expense was \$4 million in 2002, 2001 and 2000.

The estimated future obligations for postretirement medical benefits are based upon assumed annual healthcare cost increases of 10% for 2003, decreasing by 1% annually to 5% for 2008 and future years. A 1% increase or decrease in the assumed annual healthcare cost increases would increase or decrease the present value of estimated future obligations for postretirement benefits by approximately \$3 million.

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TAXES

The provision for income taxes and the related percent of pretax earnings for the last three years were:

(dollars in millions)	2002		2001		2000	
	\$	%	\$	%	\$	%
Federal	\$211		\$315		\$412	
State and local	33		58		73	
Current taxes	244	29.7%	373	32.7%	485	34.6%
Federal	62		54		50	
State and local	(28)		9		9	
Deferred taxes	34	4.2	63	5.6	59	4.2

Total	\$278	33.9%	\$436	38.3%	\$544	38.8%
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The reconciliation between the statutory federal income tax rate and the effective income tax rate for the last three years follows:

(percent of pretax earnings)	2002	2001	2000
Statutory federal income tax rate	35.0%	35.0%	35.0%
State and local income taxes	0.6	5.9	5.8
Federal tax benefit of state and local income taxes	(0.2)	(2.1)	(2.0)
Other, net	(1.5)	(0.5)	0.0
Effective income tax rate	33.9%	38.3%	38.8%

Major components of deferred tax assets (liabilities) were:

(dollars in millions)	2002	2001
Accrued expenses and reserves	\$ 127	\$ 140
Deferred and other compensation	209	151
Merchandise inventories	(188)	(198)
Depreciation and amortization and basis differences	(792)	(692)
Other deferred income tax liabilities, net	(53)	(92)
Net deferred income taxes	(697)	(691)
Less: Net current deferred income tax assets	13	5
Noncurrent deferred income taxes	\$ (710)	\$ (696)

Net current deferred income tax assets are included in other current assets in the accompanying balance sheets.

EARNINGS PER SHARE

All ESOP preference shares were issued in 1989 and earnings per share is computed in accordance with the provisions of Statement of Position 76-3, "Accounting Practices for Certain Employee Stock Ownership Plans," and Emerging Issues Task Force 89-12, "Earnings Per Share Issues Related to Convertible Preferred Stock Held by an Employee Stock Ownership Plan." For basic earnings per share purposes, the ESOP preference shares dividend, net of income tax benefit, is deducted from net earnings to arrive at net earnings available for common shareowners. Diluted earnings per share is computed by use of the "if converted" method, which assumes all ESOP preference shares were converted as

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of the beginning of the year. Net earnings are adjusted to add back the ESOP preference dividend deducted in computing basic earnings per share less the amount of additional ESOP contribution required to fund ESOP debt service in excess of the current common stock dividend attributable to the ESOP preference shares.

Diluted earnings per share also includes the effect of outstanding options. Options excluded from the diluted earnings per share calculation because of their antidilutive effect totaled 18.5 million in 2002, 9.3 million in 2001, and 14.0 million in 2000. The following tables reconcile net earnings and weighted average shares outstanding to amounts used to calculate basic and diluted earnings per share for 2002, 2001, and 2000.

(in millions, except per share)	Net Earnings	Shares	2002 Earnings per Share
Net earnings	\$542		
ESOP preference shares' dividends	(18)		
Basic earnings per share	\$524	288.2	\$1.82
ESOP preference shares	17	18.5	
Assumed exercise of options (treasury stock method)	-	1.2	
Diluted earnings per share	\$541	307.9	\$1.76

(in millions, except per share)	Net Earnings	Shares	2001 Earnings per Share
Net earnings	\$703		
ESOP preference shares' dividends	(19)		
Basic earnings per share	\$684	296.0	\$2.31
ESOP preference shares	17	19.5	

Assumed exercise of options (treasury stock method)	-	2.1	
Diluted earnings per share	\$701	317.6	\$2.21

(in millions, except per share)

	Net Earnings	Shares	2000 Earnings per Share
Net earnings	\$858		
ESOP preference shares' dividends	(18)		
Basic earnings per share	\$840	306.4	\$2.74
ESOP preference shares	17	20.5	
Assumed exercise of options (treasury stock method)	-	0.8	
Diluted earnings per share	\$857	327.7	\$2.62

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ACCOUNTS RECEIVABLE

Credit sales under department store credit programs as a percent of net sales were 36.9% in 2002. This compares with 39.0% in 2001 and 40.5% in 2000. Net accounts receivable consisted of:

(dollars in millions)	2002	2001
Customer accounts receivable	\$1,750	\$1,907
Other accounts receivable	105	121
Total accounts receivable	1,855	2,028
Allowance for doubtful accounts	(114)	(90)
Accounts receivable, net	\$1,741	\$1,938

The fair value of customer accounts receivable approximates their carrying values at February 1, 2003, and February 2, 2002, because of the short-term nature of these accounts. We do not sell or securitize customer accounts receivables. The allowance for doubtful accounts is based upon a number of factors including account write-off experience, account aging, and month-end balances.

Net sales made through third-party debit and credit cards as a percent of net sales were 38.7% in 2002, 36.7% in 2001, and 35.2% in 2000.

OTHER CURRENT ASSETS

In addition to net current deferred income tax assets, other current assets consisted of prepaid expenses and supply inventories of \$56 million in 2002 and \$55 million in 2001.

OTHER ASSETS

Other assets consisted of:

(dollars in millions)	2002	2001
Intangible pension asset	\$ 71	\$ 53
Deferred debt expense	39	43
Other	21	23
Total	\$131	\$119

ACCRUED EXPENSES

Accrued expenses consisted of:

(dollars in millions)	2002	2001
Salaries, wages, and employee benefits	\$305	\$202
Insurance costs	194	198
Advertising and other operating expenses	141	142
Interest and rent expense	139	140
Sales, use, and other taxes	104	105
Construction costs	68	59
Other	63	54
Total	\$1,014	\$900

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SHORT-TERM DEBT AND LINES OF CREDIT

Short-term debt for the last three years was:

Source: MAY DEPARTMENT STORE, 10-K, March 28, 2003

(dollars in millions)	2002	2001	2000
Balance outstanding at year-end	\$ 150	\$ 78	\$ -
Average balance outstanding	235	397	242
Average interest rate:			
At year-end	1.3%	1.8%	-
On average balance	1.7%	3.0%	6.6%
Maximum balance outstanding	\$ 825	\$1,090	\$ 667

The average balance of short-term debt outstanding, primarily commercial paper, and the respective weighted average interest rates are based on the number of days such short-term debt was outstanding during the year. The maximum balance outstanding in 2002 consisted of \$595 million of commercial paper and \$230 million of short-term bank financing.

The company has \$1.0 billion of credit under unsecured revolving facilities consisting of a \$700 million multi-year credit agreement expiring July 31, 2006, and a \$300 million 364-day credit agreement expiring July 29, 2003. These credit agreements support the company's commercial paper borrowings. As of February 1, 2003, there was \$150 million of commercial paper outstanding. Financial covenants under the credit agreements include a minimum fixed-charge coverage ratio and a maximum debt-to-capitalization ratio. The company also maintains a \$30 million credit facility with a group of minority-owned banks.

LONG-TERM DEBT

Long-term debt and capital lease obligations were:

(dollars in millions)	2002	2001
Unsecured notes and sinking-fund debentures due 2003-2036	\$4,104	\$4,561
Mortgage notes and bonds due 2003-2020	21	47
Capital lease obligations	49	50
Total debt	4,174	4,658
Less: Current maturities of long-term debt	139	255
Long-term debt	\$4,035	\$4,403

The weighted average interest rate of long-term debt was 8.0% at February 1, 2003, and 8.1% at February 2, 2002.

The annual maturities of long-term debt, including sinking fund requirements, are \$139 million, \$239 million, \$154 million, \$131 million, and \$260 million for 2003 through 2007. Maturities of long-term debt are scheduled over the next 34 years, with the largest principal repayment in any single year being \$260 million. Interest payments on long-term debt are typically paid on a semi-annual basis.

The net book value of property encumbered under long-term debt agreements was \$76 million at February 1, 2003.

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The fair value of long-term debt (excluding capital lease obligations) was approximately \$4.8 billion and \$5.1 billion at February 1, 2003, and February 2, 2002, respectively. The fair value was determined using borrowing rates for debt instruments with similar terms and maturities.

During the third quarter of 2002, the company recorded \$10 million of interest expense because of the call of \$200 million of 8.375% debentures due in 2022. The debentures were called effective October 1, 2002.

During the third quarter of 2001, the company recorded interest expense of \$5 million because of the call of \$100 million of 9.875% debentures due in 2021. These debentures were called effective October 9, 2001.

LEASE OBLIGATIONS

The company leases approximately 26% of its gross retail square footage. Rental expense for the company's operating leases consisted of:

(dollars in millions)	2002	2001	2000
Minimum rentals	\$ 97	\$80	\$63
Contingent rentals based on sales	13	15	18
Real property rentals	110	95	81
Equipment rentals	3	4	4
Total	\$113	\$99	\$85

Future minimum lease payments at February 1, 2003, were:

(dollars in millions)	Capital Leases	Operating Leases	Total
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2003	\$ 7	\$ 96	\$103
2004	7	90	97
2005	7	83	90
2006	7	76	83
2007	7	69	76
After 2007	63	375	438
Minimum lease payments	\$ 98	\$789	\$887

The present value of minimum lease payments under capital leases was \$49 million at February 1, 2003, of which \$2 million was included in current liabilities. The present value of operating leases (minimum rents) was \$534 million at February 1, 2003. Property under capital leases was:

(dollars in millions)	2002	2001
Cost	\$57	\$59
Accumulated amortization	(31)	(31)
Total	\$26	\$28

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The company is a guarantor with respect to certain lease obligations of previously divested businesses. The leases, two of which include potential extensions to 2087, have future minimum lease payments aggregating approximately \$859 million, and are offset by payments from existing tenants and subtenants. In addition, the company is liable for other expenses related to the above leases, such as property taxes and common area maintenance, which are also payable by the current tenants and subtenants. Potential liabilities related to these guarantees are subject to certain defenses by the company. The company believes that the risk of significant loss from these lease obligations is remote.

OTHER LIABILITIES

In addition to accrued pension and postretirement costs, other liabilities consisted principally of deferred compensation liabilities of \$165 million at February 1, 2003, and \$164 million at February 2, 2002. Under the company's deferred compensation plan, eligible associates may elect to defer part of their compensation each year into cash and/or stock unit alternatives. The company issues shares to settle obligations with participants who defer in stock units and it maintains shares in treasury sufficient to settle all outstanding stock unit obligations.

LITIGATION

The company is involved in claims, proceedings, and litigation arising from the operation of its business. The company does not believe any such claim, proceeding, or litigation, either alone or in the aggregate, will have a material adverse effect on the company's financial position or results of operations.

BUSINESS COMBINATIONS

In the fourth quarter of 2001, May acquired After Hours and substantially all of the assets of Priscilla of Boston for an aggregate cost of \$121 million. In March 2001, the company purchased nine department stores in the Tennessee and Louisiana markets from Saks Incorporated for approximately \$304 million. In August 2000, David's Bridal joined the company. The cost of this transaction was approximately \$420 million. These business combinations were accounted for as purchases and did not have a material effect on the results of operations or financial position.

STOCK OPTION AND STOCK-RELATED PLANS

Under the company's common stock option plans, options are granted at the market price on the date of grant. Options to purchase may extend for up to 10 years, may be exercised in installments only after stated intervals of time, and are conditional upon continued active employment with the company. The company's plans are accounted for as provided by APB Opinion No. 25, "Accounting for Stock Issued to Employees." For stock options, no compensation cost has been recognized because the option exercise price is fixed at the market price on the date of grant.

Effective February 2, 2003, the company began expensing the fair value of employee stock options. The company adopted the fair value method prospectively. The expense associated with stock options is expected to be \$0.01 per share in 2003.

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A combined summary of the stock option plans at the end of 2002, 2001, and 2000, and of the changes in outstanding shares within years is presented below:

(shares in thousands)	2002	2001	2000
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	Average Exercise		Average Exercise		Average Exercise	
	Shares	Price	Shares	Price	Shares	Price
Beginning of year	22,474	\$34	20,057	\$33	14,872	\$37
Granted	5,131	35	4,688	36	7,222	25
Exercised	(947)	26	(1,588)	26	(570)	24
Forfeited or expired	(1,383)	36	(683)	35	(1,467)	34
End of year	25,275	\$34	22,474	\$34	20,057	\$33
Exercisable at end of year	14,431	\$35	11,049	\$34	8,377	\$34
Shares available for grants	6,737		10,457		14,463	
Fair value per share of options granted		\$11		\$11		\$ 8

The following table summarizes information about stock options outstanding at February 1, 2003:

Exercise Price Range	Number Outstanding (in thousands)	Options Outstanding		Options Exercisable	
		Average Remaining Contractual Life	Average Exercise Price	Number Exercisable (in thousands)	Average Exercise Price
\$22-30	7,912	6	\$26	5,703	\$27
31-35	6,679	8	34	1,871	32
36-45	10,684	7	41	6,857	42
	25,275	7	\$34	14,431	\$35

Under the 1994 Stock Incentive Plan, the company is authorized to grant up to 3.4 million shares of restricted stock to management associates with or without performance restrictions. No monetary consideration is paid by associates who receive restricted stock. All restrictions lapse over periods of up to 10 years. In 2002 and 2001, the company granted 439,208 and 419,392 shares of restricted stock, respectively. The aggregate outstanding shares of restricted stock as of February 1, 2003, and February 2, 2002, were 1,140,750 and 1,058,425, respectively. For restricted stock grants, compensation expense is based upon the grant date market price; it is recorded over the lapsing period. For performance-based restricted stock, compensation expense is recorded over the performance period and is based on estimates of performance levels.

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As an alternative to accounting for stock-based compensation under APB No. 25, SFAS No. 123, "Accounting for Stock-Based Compensation," establishes a fair-value method of accounting for employee stock options or similar equity instruments. The company used the Black-Scholes option pricing model to estimate the grant date fair value of its 1995 and later option grants. The fair value is recognized over the option vesting period, which is typically four years. Had compensation cost for these plans been determined in accordance with SFAS No. 123, the company's net earnings and net earnings per share would have been:

(dollars in millions, except per share)	2002	2001	2000
Net earnings:			
As reported	\$ 542	\$ 703	\$ 858
Pro forma	519	677	835
Basic earnings per share:			
As reported	\$1.82	\$2.31	\$2.74
Pro forma	1.74	2.23	2.67
Diluted earnings per share:			
As reported	\$1.76	\$2.21	\$2.62
Pro forma	1.69	2.14	2.55

The Black-Scholes assumptions were:

	2002	2001	2000
Risk-free interest rate	5.1%	4.6%	6.4%
Expected dividend	\$0.95	\$0.94	\$0.93
Expected option life (years)	7	7	7
Expected volatility	32%	32%	32%

COMMON STOCK REPURCHASE PROGRAMS

In 2001, the company's board of directors authorized a common stock repurchase program of \$400 million. During 2001, the company completed this repurchase program totaling 11.9 million shares of May common stock at an average price of \$34 per share.

During 2000, the company purchased \$789 million or 28.4 million shares of May common stock. These repurchases completed the remaining \$139 million of stock repurchases related to the \$500 million 1999 stock repurchase program and the

\$650 million common stock repurchase program authorized in 2000. The 2000 buyback was in addition to \$361 million, or 9.9 million shares, purchased in 1999.

PREFERENCE STOCK

The company is authorized to issue up to 25 million shares of \$0.50 par value preference stock. As of February 1, 2003, there were 800,000 ESOP preference shares authorized and 522,587 shares outstanding. Each ESOP preference share is convertible into shares of May common stock, at a conversion rate of 33.787 shares of May common stock for each ESOP preference share. Each ESOP preference share carries the number of votes equal to the number of shares of May common stock into which the ESOP preference share could be converted. Dividends are cumulative and are paid semi-annually at a rate of \$38.025 per share per year. ESOP preference shares have a liquidation preference of \$507 per share plus accumulated and unpaid dividends. ESOP preference shares may be redeemed, in whole or in part, at the option of May or an ESOP preference shareowner, at a redemption price of \$507 per share, plus accumulated and unpaid dividends. The redemption price may be satisfied in cash or May common stock or a combination of both.

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The ESOP preference shares are shown outside of shareowners' equity in the consolidated balance sheet because the shares are redeemable by the holder or by the company in certain situations.

SHAREOWNER RIGHTS PLAN

The company has a shareowner rights plan under which a right is attached to each share of the company's common stock. The rights become exercisable only under certain circumstances involving actual or potential acquisitions of May's common stock by a person or by affiliated persons. Depending upon the circumstances, the holder may be entitled to purchase units of the company's preference stock, shares of the company's common stock, or shares of common stock of the acquiring person. The rights will remain in existence until August 31, 2004, unless they are terminated, extended, exercised, or redeemed.

QUARTERLY RESULTS (UNAUDITED)

Quarterly results are determined in accordance with annual accounting policies. They include certain items based upon estimates for the entire year. The quarterly information below is presented using the same classifications as the annual financial statements. Summarized quarterly results for the last two years were:

(dollars in millions, except per share)

	First	Second	Third	Fourth	2002 Year
Net sales	\$3,096	\$3,030	\$2,992	\$4,373	\$13,491
Cost of sales:					
Recurring	2,203	2,119	2,171	2,947	9,440
Nonrecurring-division combination markdowns	-	20	3	-	23
Selling, general, and administrative expenses	658	657	691	766	2,772
Division combination costs	40	39	6	6	91
Pretax earnings	112	109	25	574	820
Net earnings	70	69	16	387	542

Earnings per share:

Basic	\$ 0.23	\$ 0.22	\$ 0.05	\$ 1.32	\$ 1.82
Diluted	0.23	0.22	0.05	1.26	1.76

(dollars in millions, except per share)

	First	Second	Third	Fourth	2001 Year
Net sales	\$3,071	\$3,101	\$3,135	\$4,576	\$13,883
Cost of sales	2,175	2,151	2,275	3,031	9,632
Selling, general, and administrative expenses	633	678	684	763	2,758
Pretax earnings	177	183	84	695	1,139
Net earnings	109	111	52	431	703

Earnings per share:

Basic	\$ 0.35	\$ 0.36	\$ 0.16	\$ 1.44	\$ 2.31
Diluted	0.34	0.35	0.16	1.36	2.21

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There are variables and uncertainties in the factors used to estimate the annual LIFO provision (credit) on an interim basis. There was no LIFO provision or credit in 2002. If the final 2001 variables and factors had been known at the beginning of the year, the pro forma earnings (loss) per share impact of LIFO would have been:

2002	2001
------	------

Quarter	Pro Forma	As Reported	Pro Forma	As Reported
First	\$ -	\$ -	\$0.01	\$ (0.02)
Second	-	-	0.01	(0.02)
Third	-	-	0.02	(0.01)
Fourth	-	-	0.02	0.11
Year	\$ -	\$ -	\$0.06	\$ 0.06

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CONDENSED CONSOLIDATING FINANCIAL INFORMATION

The May Department Stores Company, Delaware ("Parent") has fully and unconditionally guaranteed certain long-term debt obligations of its wholly-owned subsidiary, The May Department Stores Company, New York ("Subsidiary Issuer"). Other subsidiaries of the Parent include May Department Stores International, Inc. ("MDSI"), Leadville Insurance Company, Snowdin Insurance Company, Priscilla of Boston and David's Bridal, Inc. and subsidiaries including, After Hours Formalwear, Inc. Condensed consolidating balance sheets as of February 1, 2003, and February 2, 2002, and the related condensed consolidating statements of earnings and cash flows for each of the three fiscal years in the period ended February 1, 2003, are presented below.

Condensed Consolidating Balance Sheet
As of February 1, 2003

(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ 37	\$ 18	\$ -	\$ 55
Accounts receivable, net	-	1,733	44	(36)	1,741
Merchandise inventories	-	2,787	70	-	2,857
Other current assets	-	49	23	(3)	69
Total current assets	-	4,606	155	(39)	4,722
Property and equipment, at cost	-	9,024	181	-	9,205
Accumulated depreciation	-	(3,690)	(49)	-	(3,739)
Property and equipment, net	-	5,334	132	-	5,466
Goodwill	-	1,129	312	-	1,441
Intangible assets, net	-	6	170	-	176
Other assets	-	122	9	-	131
Intercompany (payable) receivable	(671)	254	417	-	-
Investment in subsidiaries	4,824	-	-	(4,824)	-
Total assets	\$ 4,153	\$11,451	\$ 1,195	\$ (4,863)	\$11,936
LIABILITIES AND SHAREOWNERS' EQUITY					
Current liabilities:					
Short-term debt	\$ -	\$ 150	\$ -	\$ -	\$ 150
Current maturities of long- term debt	-	139	-	-	139
Accounts payable	-	1,021	78	-	1,099
Accrued expenses	5	957	88	(36)	1,014
Income taxes payable	-	244	23	(3)	264
Total current liabilities	5	2,511	189	(39)	2,666
Long-term debt	-	4,034	1	-	4,035
Intercompany note payable (receivable)	-	3,200	(3,200)	-	-
Deferred income taxes	-	646	64	-	710
Other liabilities	-	840	10	(473)	377
ESOP preference shares	265	-	-	-	265
Unearned compensation	(152)	(152)	-	152	(152)
Shareowners' equity	4,035	372	4,131	(4,503)	4,035
Total liabilities and shareowners' equity	\$ 4,153	\$11,451	\$ 1,195	\$ (4,863)	\$11,936

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CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued) -

Condensed Consolidating Statement of Earnings
For the Fiscal Year Ended February 1, 2003

(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Eliminations	Consolidated
Net sales	\$ -	\$ 12,978	\$ 1,865	\$ (1,352)	\$ 13,491
Cost of sales	-	9,317	1,477	(1,331)	9,463
Selling, general, and administrative expenses	-	2,654	245	(36)	2,863
Interest expense (income), net:					
External	-	345	-	-	345
Intercompany	-	284	(284)	-	-
Equity in earnings of subsidiaries	(542)	-	-	542	-
Earnings before income taxes	542	378	427	(527)	820
Provision for income taxes	-	123	155	-	278
Net earnings	\$ 542	\$ 255	\$ 272	\$ (527)	\$ 542

Condensed Consolidating Statement of Cash Flows
For the Fiscal Year Ended February 1, 2003

(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net earnings	\$ 542	\$ 255	\$ 272	\$ (527)	\$ 542
Equity in earnings of subsidiaries	(542)	-	-	542	-
Depreciation and amortization	-	522	35	-	557
(Increase) decrease in working capital	(1)	201	22	(1)	221
Division combination costs	-	114	-	-	114
Other, net	(170)	304	(94)	(14)	26
	(171)	1,396	235	-	1,460
Investing activities:					
Net additions to property and equipment	-	(745)	(45)	-	(790)
	-	(745)	(45)	-	(790)
Financing activities:					
Issuances of long-term debt	-	-	-	-	-
Repayments of long-term debt	-	(433)	(1)	-	(434)
Net issuances of short-term debt	-	72	-	-	72
Net (purchases) issuances of common stock	(22)	8	-	-	(14)
Dividend payments, net of tax benefit	(294)	3	-	-	(291)
Intercompany activity, net	487	(300)	(187)	-	-
	171	(650)	(188)	-	(667)
Decrease in cash and cash equivalents	-	1	2	-	3
Cash and cash equivalents, beginning of year	-	36	16	-	52
Cash and cash equivalents, end of year	\$ -	\$ 37	\$ 18	\$ -	\$ 55

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CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued) -

Condensed Consolidating Balance Sheet
As of February 2, 2002

(millions)

Subsidiary Other

	Parent	Issuer	Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ 36	\$ 16	\$ -	\$ 52
Accounts receivable, net	-	1,930	45	(37)	1,938
Merchandise inventories	-	2,801	74	-	2,875
Other current assets	-	43	17	-	60
Total current assets	-	4,810	152	(37)	4,925
Property and equipment, at cost	-	8,844	152	-	8,996
Accumulated depreciation	-	(3,709)	(23)	-	(3,732)
Property and equipment, net	-	5,135	129	-	5,264
Goodwill	-	1,128	305	-	1,433
Intangible assets, net	-	6	173	-	179
Other assets	-	109	10	-	119
Intercompany (payable) receivable	(841)	523	318	-	-
Investment in subsidiaries	4,770	-	-	(4,770)	-
Total assets	\$ 3,929	\$11,711	\$ 1,087	\$ (4,807)	\$11,920
LIABILITIES AND SHAREOWNERS' EQUITY					
Current liabilities:					
Short-term debt	\$ -	\$ 78	\$ -	\$ -	\$ 78
Current maturities of long-term debt	-	254	1	-	255
Accounts payable	-	947	76	-	1,023
Accrued expenses	6	854	77	(37)	900
Income taxes payable	-	263	9	-	272
Total current liabilities	6	2,396	163	(37)	2,528
Long-term debt	-	4,402	1	-	4,403
Intercompany note payable (receivable)	-	3,200	(3,200)	-	-
Deferred income taxes	-	629	67	-	696
Other liabilities	-	818	10	(458)	370
ESOP preference shares	286	-	-	-	286
Unearned compensation	(204)	(204)	-	204	(204)
Shareowners' equity	3,841	470	4,046	(4,516)	3,841
Total liabilities and shareowners' equity	\$ 3,929	\$11,711	\$ 1,087	\$ (4,807)	\$11,920

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CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued) -

Condensed Consolidating Statement of Earnings
For the Fiscal Year Ended February 2, 2002

(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Eliminations	Consolidated
Net sales	\$ -	\$ 13,562	\$ 1,647	\$ (1,326)	\$13,883
Cost of sales	-	9,586	1,358	(1,312)	9,632
Selling, general, and administrative expenses	-	2,637	151	(30)	2,758
Interest expense (income), net:					
External	-	355	(1)	-	354
Intercompany	-	284	(284)	-	-
Equity in earnings of subsidiaries	(703)	-	-	703	-
Earnings before income taxes	703	700	423	(687)	1,139
Provision for income taxes	-	280	156	-	436
Net earnings	\$ 703	\$ 420	\$ 267	\$ (687)	\$ 703

Condensed Consolidating Statement of Cash Flows
For the Fiscal Year Ended February 2, 2002

(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net earnings	\$ 703	\$ 420	\$ 267	\$ (687)	\$ 703
Equity in earnings of subsidiaries	(703)	-	-	703	-
Depreciation and amortization	-	536	23	-	559
(Increase) decrease in working capital	(1)	293	47	-	339
Other, net	193	(13)	(121)	(16)	43
	192	1,236	216	-	1,644
Investing activities:					
Net additions to property and equipment	-	(725)	(31)	-	(756)
Business combination	-	(304)	(121)	-	(425)
	-	(1,029)	(152)	-	(1,181)
Financing activities:					
Issuances of long-term debt	-	250	-	-	250
Repayments of long-term debt	-	(176)	(2)	-	(178)
Net issuances of short-term debt	-	78	-	-	78
Net (purchases) issuances of common stock	(432)	12	-	-	(420)
Dividend payments, net of tax benefit	(300)	3	-	-	(297)
Intercompany activity, net	540	(475)	(65)	-	-
	(192)	(308)	(67)	-	(567)
Decrease in cash and cash equivalents	-	(101)	(3)	-	(104)
Cash and cash equivalents, beginning of year	-	137	19	-	156
Cash and cash equivalents, end of year	\$ -	\$ 36	\$ 16	\$ -	\$ 52

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CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued) -

Condensed Consolidating Statement of Earnings
For the Fiscal Year Ended February 3, 2001

(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Eliminations	Consolidated
Net sales	\$ -	\$ 14,105	\$ 1,283	\$ (1,178)	\$14,210
Cost of sales	-	9,847	1,115	(1,164)	9,798
Selling, general, and administrative expenses	-	2,629	63	(27)	2,665
Interest expense (income), net:					
External	-	346	(1)	-	345
Intercompany	-	287	(287)	-	-
Equity in earnings of subsidiaries	(858)	-	-	858	-
Earnings before income taxes	858	996	393	(845)	1,402
Provision for income taxes	-	404	140	-	544
Net earnings	\$ 858	\$ 592	\$ 253	\$ (845)	\$ 858

Condensed Consolidating Statement of Cash Flows
For the Fiscal Year Ended February 3, 2001

(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net earnings	\$ 858	\$ 592	\$ 253	\$ (845)	\$ 858
Equity in earnings of subsidiaries	(858)	-	-	858	-

Source: MAY DEPARTMENT STORE, 10-K, March 28, 2003

Depreciation and amortization	-	501	10	-	511
Increase in working capital	(8)	(41)	(22)	-	(71)
Other, net	647	(545)	(41)	(13)	48
	639	507	200	-	1,346
Investing activities:					
Net additions to property and equipment	-	(539)	(11)	-	(550)
Business combinations	(427)	-	7	-	(420)
	(427)	(539)	(4)	-	(970)
Financing activities:					
Issuances of long-term debt	-	1,076	-	-	1,076
Repayments of long-term debt	-	(241)	-	-	(241)
Net (purchases) issuances of common stock	(815)	23	-	-	(792)
Dividend payments, net of tax benefit	(309)	5	-	-	(304)
Intercompany activity, net	912	(725)	(187)	-	-
	(212)	138	(187)	-	(261)
Increase in cash and cash equivalents	-	106	9	-	115
Cash and cash equivalents, beginning of year	-	31	10	-	41
Cash and cash equivalents, end of year	\$ -	\$ 137	\$ 19	\$ -	\$ 156

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SCHEDULE II

THE MAY DEPARTMENT STORES COMPANY AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

FOR THE THREE FISCAL YEARS ENDED FEBRUARY 1, 2003

(millions)

	Balance beginning of period	Charges to costs and expenses and other adjustments	Deductions (a)	Balance end of period
FISCAL YEAR ENDED				
February 1, 2003				
Allowance for uncollectible accounts and merchandise returns	\$ 90	\$126	\$ (102)	\$114
FISCAL YEAR ENDED				
February 2, 2002				
Allowance for uncollectible accounts and merchandise returns	\$ 76	\$117	\$ (103)	\$ 90
FISCAL YEAR ENDED				
February 3, 2001				
Allowance for uncollectible accounts and merchandise returns	\$ 76	\$ 91	\$ (91)	\$ 76

(a) Write-off of accounts determined to be uncollectible, net of recoveries of \$25 million in 2002, \$24 million in 2001, and \$23 million in 2000.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The company had no disagreements with its accountants during the last two fiscal years. On April 10, 2002, the company engaged Deloitte & Touche LLP to act as its independent auditors as successor to Arthur Andersen LLP. All information relating to such change in accountants is incorporated by reference from the company's Current Report on Form 8-K, dated April 12, 2002.

PART III

Items 10, 11, 12, 13. Directors and Executive Officers of May, Executive Compensation, Security Ownership of Certain Beneficial Owners and Management, Certain Relationships and Related Transactions

Pursuant to paragraph G (Information to be Incorporated by Reference) of the General Instructions to Form 10-K, the information required by Items 10, 11, 12 and 13 (other than information about executive officers of May) is incorporated by reference from the definitive proxy statement for the registrant's 2003 Annual Meeting of Shareowners to be filed with the commission pursuant to Regulation 14A. Information about executive officers of May is set forth in

Part I of this Form 10-K, under the heading "Items 1. and 2. Business and Description of Property."

Item 14 - Disclosure Controls and Procedures.

Within the 90-day period prior to the filing of this report, we carried out an evaluation, under the supervision and with the participation of the company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934, as amended). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective. There have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date the controls were evaluated.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Documents filed as part of this report:	Page in this Report
(1) Financial Statements.	
Report of Deloitte & Touche LLP, Independent Auditors	17-18
Report of Arthur Andersen LLP, Independent Auditors	18-19
Consolidated Statement of Earnings for the three fiscal years ended February 1, 2003	20
Consolidated Balance Sheet as of February 1, 2003, and February 2, 2002	21
Consolidated Statement of Cash Flows for the three fiscal years ended February 1, 2003	22
Consolidated Statement of Shareowners' Equity for the three fiscal years ended February 1, 2003	23
Notes to Consolidated Financial Statements	24-44

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K (continued)

	Page in this report
(2) Supplemental Financial Statement Schedule (for the three fiscal years ended February 1, 2003):	
Schedule II Valuation and Qualifying Accounts	45

(3) Exhibits:	Location
3.1 Amended and Restated Certificate of Incorporation of May, dated May 22, 1996	Incorporated by Reference to Exhibit 4(a) of Post Effective Amendment No. 1 to Form S-8, filed May 29, 1996.
3.2 Certificate of Amendment of the Amended and Restated Certificate of Incorporation, dated May 21, 1999	Incorporated by Reference to Exhibit 3(b) of Form 10-Q filed June 8, 1999.
3.3 By-Laws of May	Incorporated by Reference to Exhibit 4.3 of Form S-8 filed February 20, 2003.
4.1 Rights Agreement, dated August 19, 1994	Incorporated by Reference to Exhibit 1 to Current Report on Form 8-K, dated September, 2, 1994
4.2 Assignment and Assumption of the Rights Agreement, dated May 24, 1996	Incorporated by Reference to Exhibit 4(d) of Post-Effective Amendment No. 1 to Form S-8, dated May 29, 1996
10.1 1994 Stock Incentive Plan	Incorporated by Reference to Exhibit 10.1 of Form 10-K, filed April 19, 2000.
10.2 Deferred Compensation Plan	Incorporated by Reference to Exhibit 10.2 of Form 10-K, filed April 19, 2000.

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Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K (continued)

10.3 Executive Incentive Compensation Plan for Corporate Executives	Incorporated by Reference to Exhibit 10.3 of Form 10-K filed April 5, 2002.
10.4 Form of Employment Agreement	Incorporated by Reference to Exhibit 10.4 of Form 10-K filed April 19, 2000.
12 Computation of Ratio of Earnings to Fixed Charges	Filed herewith.
21 Subsidiaries of May	Filed herewith.
23 Independent Auditors' Consent	Filed herewith.

(b) Reports on Form 8-K
None.

All other schedules and exhibits of May for which provision is made in the applicable regulations of the Securities and Exchange Commission have been omitted, as they are not required or are inapplicable or the information required thereby has been given otherwise.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, May has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE MAY DEPARTMENT STORES COMPANY

Date: March 28, 2003

By: /s/ Thomas D. Fingleton
 Thomas D. Fingleton
 Executive Vice President and
 Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of May and in the capacities and on the dates indicated.

Date	Signature	Title
Principal Executive Officer:		
March 28, 2003	/s/ Eugene S. Kahn Eugene S. Kahn	Director, Chairman of the Board and Chief Executive Officer
Principal Financial and Accounting Officer:		
March 28, 2003	/s/ Thomas D. Fingleton Thomas D. Fingleton	Executive Vice President and Chief Financial Officer
Directors:		
March 28, 2003	/s/ John L. Dunham John L. Dunham	Director and President
March 28, 2003	/s/ R. Dean Wolfe R. Dean Wolfe	Director and Executive Vice President
March 28, 2003	/s/ Marsha J. Evans Marsha J. Evans	Director
March 28, 2003	/s/ James M. Kilts James M. Kilts	Director
March 28, 2003	/s/ Russell E. Palmer Russell E. Palmer	Director
March 28, 2003	/s/ Michael R. Quinlan Michael R. Quinlan	Director
March 28, 2003	/s/ Joyce M. Roche' Joyce M. Roche'	Director

CERTIFICATIONS

I, Eugene S. Kahn, certify that:

- I have reviewed this annual report on Form 10-K of The May Department Stores Company;
- Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 28, 2003

/s/ Eugene S. Kahn
Eugene S. Kahn
Chairman of the Board and
Chief Executive Officer

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I, Thomas D. Fingleton, certify that:

1. I have reviewed this annual report on Form 10-K of The May Department Stores Company;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls

and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

- c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 28, 2003

/s/ Thomas D. Fingleton
Thomas D. Fingleton
Executive Vice President and
Chief Financial Officer

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In connection with the Annual Report of The May Department Stores Company (the "Company") on Form 10-K for the period ending February 1, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Eugene S. Kahn, Chairman of the Board and Chief Executive Officer, and Thomas D. Fingleton, Executive Vice President and Chief Financial Officer of the Company, each certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Subsection 1350, as adopted), that:

1. The Report fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934, and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 28, 2003

/s/ Eugene S. Kahn
Eugene S. Kahn
Chairman of the Board and
Chief Executive Officer

/s/ Thomas D. Fingleton
Thomas D. Fingleton
Executive Vice President and
Chief Financial Officer

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THE MAY DEPARTMENT STORES COMPANY AND SUBSIDIARIES
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 FOR THE FIVE FISCAL YEARS ENDED FEBRUARY 1, 2003

(Dollars in Millions)	Fiscal Year Ended				
	Feb. 1, 2003	Feb. 2, 2002	Feb. 3, 2001	Jan.29, 2000	Jan.30, 1999
Earnings Available for Fixed Charges:					
Pretax earnings from continuing operations	\$ 820	\$1,139	\$1,402	\$1,523	\$1,395
Fixed charges (excluding interest capitalized and pretax preferred stock dividend requirements)	405	411	406	346	344
Dividends on ESOP Preference Shares	(20)	(22)	(23)	(24)	(25)
Capitalized interest amortization	9	8	8	7	7
	1,214	1,536	1,793	1,852	1,721
Fixed Charges:					
Gross interest expense (a)	\$ 392	\$ 401	\$ 395	\$ 340	\$ 339
Interest factor attributable to rent expense	36	32	28	22	21
	428	433	423	362	360
Ratio of Earnings to Fixed Charges	2.8	3.5	4.2	5.1	4.8

(a) Represents interest expense on long-term and short-term debt, ESOP debt and amortization of debt discount and debt issue expense.

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INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements Nos. 333-42940 and 333-42940-01 of The May Department Stores Company on Form S-3 and Registration Statements Nos. 333-59792, 333-76227, 333-00957, and 333-103352 of The May Department Stores Company on Form S-8 of our report dated February 12, 2003, relating to the consolidated financial statements of The May Department Stores Company and subsidiaries as of and for the year ended February 1, 2003 (which expresses an unqualified opinion and includes explanatory paragraphs relating to (1) the adoption of a new accounting principle and (2) the application of procedures relating to certain other disclosures and reclassifications of financial statement amounts related to the 2001 and 2000 consolidated financial statements that were audited by other auditors who have ceased operations and for which we have expressed no opinion or other form of assurance other than with respect to such disclosures and reclassifications) appearing in this Annual Report on Form 10-K of The May Department Stores Company for the year ended February 1, 2003.

/s/Deloitte & Touche LLP

St. Louis, Missouri
March 27, 2003

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THE MAY DEPARTMENT STORES COMPANY AND SUBSIDIARIES
SUBSIDIARIES OF MAY

The corporations listed below are subsidiaries of May, and all are included in the consolidated financial statements of May as subsidiaries (unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary):

Name	Jurisdiction in which organized
The May Department Stores Company	New York
May Merchandising Company	Delaware
May Department Stores International, Inc.	Delaware
May Capital, Inc.	Delaware
Grande Levee, Inc.	Nevada
Leadville Insurance Company	Vermont
Snowdin Insurance Company	Vermont
David's Bridal, Inc.	Florida
After Hours Formalwear, Inc.	Georgia
Priscilla of Boston, Inc.	Delaware

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