FORM 10-K

MAY DEPARTMENT STORES CO - MAY

Exhibit:

Filed: March 26, 2004 (period: January 31, 2004)

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

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CERTIFICATION

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

(Mark one)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended January 31, 2004

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	43-1104396
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
611 Olive Street, St. Louis, Missouri	63101
(Address of principal executive offices)	(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 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 1, 2004: $10,487,233,644

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 290,047,907 shares of common stock, $.50 par value, as of March 1, 2004.

Documents incorporated by reference:

1. Registrant's Proxy Statement for the 2004 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 2003, May operated 444 department stores in 36 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	30 markets, including New York/New Jersey Metro; Chicago; Boston; Philadelphia Metro; Washington, D.C., Metro; and Detroit
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; Baltimore; Norfolk; Nashville; Richmond; Charlotte; Greensboro; and Raleigh-Durham
Foley's	22 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, and Indianapolis

We plan to open eight department stores in 2004 in the following cities:

Filene's Dartmouth, Mass.	Hecht's Wilmington, N.C. Nashville, Tenn.
Robinsons-May Rancho Cucamonga, Calif.	Foley's El Paso, Texas Houston, Texas
Meier & Frank Portland, Ore.	The Jones Store Kansas City, Kan.

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 2003, David's Bridal operated 210 stores in 44 states and Puerto Rico.

After Hours Formalwear, Inc. is the largest tuxedo rental and sales retailer in the United States. During 2003, After Hours acquired 225 stores, including 125 Gingiss Formalwear and Gary's Tux Shop stores, 64 Desmond's Formalwear stores, and 25 Modern Tuxedo stores. At fiscal year-end 2003, After Hours operated 460 stores in 30 states.

Priscilla of Boston, Inc. is one of the most highly recognized upscale bridal retailers in the United States. At fiscal year-end 2003, Priscilla of Boston operated 10 stores in 9 states.

We plan to open 30 David's Bridal, 20 After Hours, and two Priscilla of Boston stores in 2004.

A. Associates

May employs approximately 58,000 full-time and 52,000 part-time associates in 46 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 January 31, 2004:

	Number of Stores*		% of Gross Building Sq. Footage	
	Department Stores	Bridal Group	Department Stores	Bridal Group
Entirely or mostly owned	262	2	62%	1%
Entirely or mostly leased	112	678	25	99
Owned on leased land	70	-	13	0

	444	680	100%	100%

* Includes three 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 January 31, 2004, 35.3% of net sales were made through May's department store credit plans.

May National Bank of Ohio ("MBO") is an indirectly wholly-owned and consolidated subsidiary of May. MBO extends credit to customers of May's six department store divisions. In 2003, May received approval from the Officer of the Comptroller of the Currency and completed its merger of May National Bank of Arizona into MBO.

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 26, 2004) 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	54	Chairman of the Board and Chief Executive Officer
John L. Dunham	57	President
William P. McNamara	53	Vice Chairman
Thomas D. Fingleton	56	Executive Vice President and Chief Financial Officer
Jay A. Levitt	46	Chief Executive Officer and President, May Merchandising Company and May Department Stores International
R. Dean Wolfe	59	Executive Vice President
Alan E. Charlson	55	Senior Vice President and General Counsel
Martin M. Doerr	49	Senior Vice President
Gregory A. Ott	44	Senior Vice President
Lonny J. Jay	61	Senior Vice President
Jan R. Kniffen	55	Senior Vice President
Richard A. Brickson	56	Secretary and Senior Counsel
J. Per Brodin	42	Vice President

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. Mr. Ott assumed the position of senior vice president of strategy and new business development in October 2003.

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. Ott served as a senior engagement manager with McKinsey & Company from 1987 to 1993 when he joined Macy's West as senior vice president of planning and systems. In 2000, he joined Homewarehouse.com, an online home improvement site, as vice president of product management and marketing, until becoming president of See Change Services, a division of APL Logistics. He assumed his current position in October 2003.

- 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. Web Site Access to Reports and Code of Ethics

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 the Investor Relations page on our internet Web site, www.maycompany.com, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

In addition, the Governance page on our Web site provides our Policy on Business Conduct, Statement of Corporate Responsibility, and information on corporate governance, including the board of directors governance guidelines and the charters for our board committees. We intend to disclose any amendments to the Policy on Business Conduct and any waivers that are required to be disclosed by the rules of either the Securities and Exchange Commission or The New York Stock Exchange on the Governance page on our Web site.

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 consolidated financial statements taken as a whole.

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 January 31, 2004.

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)	2003	2002	2001	2000	1999
Operations					
Net sales	$13,343	$13,491	$13,883	$14,210	$13,562
Total percent increase (decrease)	(1.1)%	(2.8)%	(2.3)%	4.8%	6.0%
Store-for-store percent increase (decrease)	(2.8)	(5.3)	(4.4)	0.0	2.7
Cost of sales	9,378(4)	9,463(5)	9,632	9,798	9,255
Selling, general, and administrative expenses	3,008(4)	2,863(5)	2,758	2,665	2,497
Interest expense, net	318	345	354	345	287
Earnings before income taxes	639(4)	820(5)	1,139	1,402	1,523
Provision for income taxes	205	278	436	544	596
Net earnings	434(4)	542(5)	703	858	927
Percent of net sales	3.3%	4.0%	5.1%	6.0%	6.8%
LIFO credit	$ -	$ -	$ (30)	$ (29)	$ (30)
Per share					
Basic earnings per share	$ 1.44(4)	$ 1.82(5)	$ 2.31	$ 2.74	$ 2.73
Diluted earnings per share	1.41(4)	1.76(5)	2.21	2.62	2.60
Dividends paid (1)	0.96	0.95	0.94	0.93	0.89
Book value	14.51	14.00	13.37	12.93	12.53
Market price - high	34.06	37.75	41.25	39.50	45.38
Market price - low	17.81	20.08	27.00	19.19	29.19
Market price - year-end close	32.90	20.50	36.07	37.30	31.25
Financial statistics					
Return on equity	10.7%(6)	14.1%(6)	18.2%	21.0%	24.1%
Return on net assets	9.7 (7)	11.8 (7)	15.5	19.5	20.7
Operating statistics					
Stores open at year-end:					
Department stores	444	443	439	427	408
Bridal Group (2)	680	425	400	123	-
Gross retail square footage (in millions):					
Department stores	77.5	76.5	75.3	72.0	69.1
Bridal Group (2)	2.9	2.2	1.9	1.3	-
Net sales per square foot (3)	$ 167	$ 174	$ 185	$ 198	$ 201
Cash flows and financial position					
Cash flows from operations	$ 1,675	$ 1,460	$ 1,644	$ 1,346	$ 1,530
Depreciation and amortization	564	557	559	511	469
Capital expenditures	600	798	797	598	703
Dividends on common stock	277	273	278	286	295
Working capital	2,458	2,186	2,403	3,056	2,700
Long-term debt and preference stock	4,032	4,300	4,689	4,833	3,875
Shareowners' equity	4,191	4,035	3,841	3,855	4,077
Total assets	12,097	12,001	11,964	11,574	10,935
Shares outstanding:					
Average basic shares outstanding	289.9	288.2	296.0	306.4	332.2
Average diluted shares outstanding and equivalents	307.0	307.9	317.6	327.7	355.6

All years included 52 weeks, except 2000, which included 53 weeks. Amounts for all years conform to 2003 presentation.

(1) The annual dividend was increased to $0.97 per share effective with the March 15, 2004, dividend payment.
(2) After Hours and Priscilla of Boston joined the company in 2001. David's Bridal joined the company in 2000.
(3) Net sales per square foot is calculated from net sales and average gross retail square footage.
(4) Earnings include restructuring charges for divested stores of $328 million (pretax), or $0.71 per basic share and $0.67 per diluted share, which consist of $6 million as cost of sales and $322 million as selling, general, and administrative expenses.
(5) Earnings include restructuring charges for division combinations of $114 million (pretax), or $0.26 per basic share and $0.24 per diluted share, which consist of $23 million as cost of sales and $91 million as selling, general, and administrative expenses.
(6) Restructuring charges reduced return on equity by 5.1% in 2003 and 2.0% in 2002.
(7) Restructuring charges reduced return on net assets by 3.2% in 2003 and 1.1% in 2002.

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

Overview

Fiscal 2003 began with a difficult retailing environment similar to the conditions in 2002 and 2001. However, an improving economy helped us finish 2003 with a strong fourth quarter. During 2003, we made several key investments and implemented initiatives that will benefit future results. Among our significant 2003 achievements are:

- Generated $1.7 billion of operating cash flow. These results led to our February 2004 announcement of a $500 million share repurchase program and $200 million planned debt redemption.
- Invested in new stores and expanded or remodeled many existing stores.
- Began the divestiture of 34 underperforming department stores.

Source: MAY DEPARTMENT STORE, 10-K, March 26, 2004

- Expanded the nationwide presence of our Bridal Group.
- Reduced operating costs and inventory levels.

Our operating cash flow was $1.7 billion in 2003. Our strong cash flow enables us to make acquisitions, build new stores, remodel and expand existing stores, repurchase stock, and reduce debt.

In 2003, we opened 10 new department stores, which added 1.7 million square feet of retail space.

Filene's	
Brockton, MA	Westgate Mall
Kaufmann's	
Columbus, OH	Mall at Tuttle Crossing
Columbus, OH	Columbus City Center
Pittsburgh, PA	The Waterfront
Meier & Frank	
Ogden, UT	The Family Center at Riverdale
Hecht's	
Richmond, VA	Short Pump Town Center
Foley's	
Houston, TX	The Galleria
Lake Charles, LA	Prien Lake Mall
Denton, TX	Golden Triangle Mall
Famous-Barr	
Columbia, MO	The Shoppes at Stadium

Our new stores in Columbus add critical mass to what had been a single-store market. The other new stores represent strategic expansion in existing or contiguous markets.

The four new department stores that opened in Brockton, Pittsburgh, Ogden, and Columbia represent a newer, off-the-mall store format featuring a contemporary design and flexible merchandise presentations. This format enables us to open freestanding stores in innovative centers, including mixed-use "lifestyle" projects.

We also remodeled 3.0 million square feet of retail space in 28 department stores in 2003, including the expansion of five stores by 200,000 square feet. At fiscal year-end, we operated 444 department stores in 36 states and the District of Columbia.

In July 2003, we announced our intention to divest 34 underperforming department stores, consisting of 32 Lord & Taylor stores, one Famous-Barr store, and one Jones Store location. These divestitures will result in total estimated charges of $380 million, of which $328 million, or $0.67 per share, was incurred in 2003.

In 2003, our After Hours Formalwear unit acquired 225 stores, including stores from Gingiss Formalwear, Desmonds Formalwear, and Modern Tuxedo. These acquisitions expand our reach to key Midwestern and Western markets, giving After Hours a leading national presence to further complement the market leadership of David's Bridal. In addition, our Bridal Group opened 30 David's Bridal stores and 10 After Hours stores.

Our planned capital expenditures for 2004 are approximately $600 million. This plan includes opening eight new department stores totaling 1.3 million square feet; remodeling or expanding 12 stores totaling 1.1 million square feet of retail space; and the Bridal Group's addition of 30 David's Bridal stores, 20 After Hours stores, and two Priscilla of Boston stores totaling 345,000 square feet of retail space.

During 2003, we implemented initiatives to improve productivity. These initiatives led to a 0.4% decrease in selling, general, and administrative expenses as a percent of net sales.

(dollars in millions, except per share)	2003		2002		2001	
	$	%	$	%	$	%
Net sales	$13,343	100.0%	$13,491	100.0%	$13,883	100.0%
Cost of sales:						
Recurring	9,372	70.3	9,440	70.0	9,632	69.4
Restructuring markdowns	6	0.0	23	0.2	-	0.0
Selling, general, and administrative expenses	2,686	20.1	2,772	20.5	2,758	19.9
Restructuring costs	322	2.4	91	0.7	-	0.0
Interest expense, net	318	2.4	345	2.5	354	2.5
Earnings before income taxes	639	4.8	820	6.1	1,139	8.2

Provision for income taxes(1)	205	32.1	278	33.9	436	38.3
Net earnings	$ 434	3.3%	$ 542	4.0%	$ 703	5.1%
Earnings per share	$ 1.41		$ 1.76		$ 2.21	

(1) Percents represent effective income tax rates.

Results of Operations

Earnings per share were $1.41 in 2003, compared with $1.76 in 2002 and $2.21 in 2001. Net earnings totaled $434 million in 2003, compared with $542 million in 2002 and $703 million in 2001. In 2003, earnings include restructuring costs for store divestitures of $328 million, or $0.67 per share. In 2002, earnings include restructuring costs for division combinations of $114 million, or $0.24 per share.

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 and exclude sales of stores closed during both years. Net sales increases (decreases) for 2003 and 2002 were:

Quarter	2003 Total	2003 Store-for-Store	2002 Total	2002 Store-for-Store
First	(7.2)%	(8.6)%	0.8 %	(2.6)%
Second	(1.0)	(2.9)	(2.3)	(5.1)
Third	(0.5)	(2.3)	(4.6)	(7.3)
Fourth	2.7	0.8	(4.4)	(5.9)
Year	(1.1)%	(2.8)%	(2.8)%	(5.3)%

The 1.1% decrease in total net sales from $13.5 billion in 2002 to $13.3 billion in 2003 was due primarily to a $378 million decrease in store-for-store sales, offset by $284 million of new-store sales. The total net sales decrease for 2002 was due to a $732 million decrease in store-for-store sales, offset by $395 million of new-store sales. The decreases in store-for-store sales coincided with a general economic decline, decreased consumer confidence, and the continued war on terrorism. These events resulted in a difficult retailing environment, which had an adverse impact on our sales volumes.

The 2003 and 2002 decreases in store-for-store sales were characterized by a decrease in both the number of department store transactions and the average selling price per item. Overall, 2003 sales of both men's and women's apparel, home textiles, and tabletop merchandise lagged, partially offset by stronger sales of fashion accessories and furniture.

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

Store Company: Headquarters	Net Sales in Millions of Dollars 2003	2002
Lord & Taylor: New York City	$ 1,823	$ 1,897
Filene's, Kaufmann's: Boston	3,020	3,096
Robinsons-May, Meier & Frank: Los Angeles	2,446	2,466
Hecht's, Strawbridge's: Washington, D.C.	2,363	2,379
Foley's: Houston	1,977	1,995
Famous-Barr, L.S. Ayres, The Jones Store: St. Louis	1,106	1,150
Total Department Stores	$12,735	$12,983
Bridal Group: Philadelphia	608	508
The May Department Stores Company	$13,343	$13,491

Store Company: Headquarters	Net Sales per Square Foot 2003	2002
Lord & Taylor: New York City	$ 163	$ 171
Filene's, Kaufmann's: Boston	178	190
Robinsons-May, Meier & Frank: Los Angeles	176	181
Hecht's, Strawbridge's: Washington, D.C.	166	171
Foley's: Houston	149	157
Famous-Barr, L.S. Ayres, The Jones Store: St. Louis	141	144
Total Department Stores	$ 164	$ 172
Bridal Group: Philadelphia	250	244

The May Department Stores Company	$ 167	$ 174

Store Company: Headquarters	Gross Retail Square Footage in Thousands 2003	2002
Lord & Taylor: New York City	10,475	11,207
Filene's, Kaufmann's: Boston	17,221	16,480
Robinsons-May, Meier & Frank: Los Angeles	14,066	13,767
Hecht's, Strawbridge's: Washington, D.C	14,380	14,134
Foley's: Houston	13,461	12,985
Famous-Barr, L.S. Ayres, The Jones Store: St. Louis	7,882	7,887
Total Department Stores	77,485	76,460
Bridal Group: Philadelphia	2,861	2,235
The May Department Stores Company	80,346	78,695

	Number of Stores			
Store Company: Headquarters	2003	New	Closed	2002
Lord & Taylor: New York City	78	-	7	85
Filene's, Kaufmann's: Boston	101	4	-	97
Robinsons-May, Meier & Frank: Los Angeles	73	1	-	72
Hecht's, Strawbridge's: Washington, D.C.	80	1	1	80
Foley's: Houston	69	3	-	66
Famous-Barr, L.S. Ayres, The Jones Store: St. Louis	43	1	1	43
Total Department Stores	444	10	9	443
Bridal Group: Philadelphia	680	265	10	425
The May Department Stores Company	1,124	275	19	868

Net sales per square foot is 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 years presented.

Cost of Sales. Recurring cost of sales includes the cost of merchandise, inbound freight, distribution expenses, buying, and occupancy costs. In 2003, restructuring markdowns were incurred to liquidate inventory as stores to be divested were closing. In 2002, restructuring markdowns were incurred to conform merchandise assortments and synchronize pricing and promotional strategies during the division combinations. Cost of sales and the related percent of net sales were:

	2003		2002		2001	
(dollars in millions)	$	%	$	%	$	%
Recurring cost of sales	$9,372	70.3%	$9,440	70.0%	$9,632	69.4%
Restructuring markdowns	6	0.0	23	0.2	-	0.0

Recurring cost of sales as a percent of net sales increased 0.3% in 2003 compared with 2002 because of a 0.3% increase in occupancy costs.

Recurring cost of sales as a percent of net sales increased 0.6% in 2002 compared with 2001 because of a 0.9% increase in occupancy costs and a 0.2% increase for the effect of the LIFO(last-in, first-out) cost method, offset by a 0.6% decrease in the cost of merchandise. There was no LIFO provision or credit in 2003 or 2002, compared with a 2001 LIFO credit of $30 million, or $0.06 per share.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses and the related percent of net sales were:

	2003		2002		2001	
(dollars in millions)	$	%	$	%	$	%
Selling, general, and administrative expenses	$2,686	20.1%	$2,772	20.5%	$2,758	19.9%

The 0.4% decrease in selling, general, and administrative expenses as a percent of net sales in 2003 was due to a 0.3% decrease in payroll costs, a 0.3% decrease in net credit expense, and a 0.2% decrease in advertising costs, offset by a 0.4% increase in pension and other costs.

The 0.6% increase in selling, general, and administrative expenses as a percent of net sales in 2002 was due to a 0.5% increase in payroll costs and a 0.2% increase in advertising costs, offset by a 0.2% decrease from the elimination of goodwill amortization.

Selling, general, and administrative expenses included advertising and sales promotion costs of $628 million, $669 million, and $652 million in 2003, 2002, and 2001, respectively. As a percent of net sales, advertising and sales promotion costs were 4.7% in 2003, 4.9% in 2002, and 4.7% in 2001. We adjusted our media mix in 2003 to increase the use of electronic media and reduce the use of print media.

Finance charge revenues are included as a reduction of selling, general, and administrative expenses. Finance charge revenues were $244 million in 2003, $261 million in 2002, and $292 million in 2001.

Restructuring Charges. In July 2003, we announced our intention to divest 34 underperforming department stores. These divestitures will result in total estimated charges of $380 million, consisting of asset impairments of $317 million, inventory liquidation losses of $25 million, severance benefits of $23 million, and other charges of $15 million. Approximately $50 million of the $380 million represents the cash cost of the store divestitures, not including the benefit from future tax credits. Of the $380 million in expected total charges, $328 million was recognized in 2003, $6 million of which was included in cost of sales. Most of the remaining costs are expected to be recognized in 2004 and 2005.

We are negotiating agreements with landlords and developers for each store divestiture. Through the end of 2003, we closed nine of the 34 stores we intend to divest, including one location closed for remodel in 2002 that will not reopen.

We recorded asset impairment charges to reduce store assets to their estimated fair value because of the shorter period over which they will be used. Estimated fair values were based on estimated market values for similar assets. Severance benefits are recognized as each store is closed. As of January 31, 2004, severance benefits of $6 million were paid to approximately 900 store and central office associates. Inventory liquidation losses and other costs of $5 million were recognized in 2003.

In 2002, we recorded restructuring charges of $102 million for the Filene's/Kaufmann's and Robinsons-May/Meier & Frank division combinations and $12 million for the closure of the Arizona Credit Center and realignment of the company's data centers. Of the $114 million in total charges, $23 million was included as cost of sales. Severance and relocation benefits were given to approximately 2,000 associates, with $2 million remaining to be paid by the end of 2004.

Business Combinations. In 2003, our Bridal Group acquired 225 tuxedo rental and retail locations, primarily in the Midwestern and Western United States. These purchases include certain assets of Gingiss Formalwear, Desmonds Formalwear, and Modern Tuxedo. These transactions did not have a material effect on our results of operations or financial position.

Interest Expense. Components of net interest expense were:

(dollars in millions)	2003	2002	2001
Interest expense	$337	$378	$383
Interest income	(3)	(10)	(7)
Capitalized interest	(16)	(23)	(22)
Net interest expense	$318	$345	$354
Percent of net sales	2.4%	2.5%	2.5%

The decrease in interest expense in 2003 was due primarily to lower long-term borrowings and a $10 million decrease in early debt redemption costs, partially offset by a $7 million decrease in capitalized interest. The decrease in interest expense in 2002 was due primarily to lower interest on both long-term and short-term debt, offset by a $5 million increase in early debt redemption costs.

Short-term borrowings were:

(dollars in millions)	2003	2002	2001
Average balance outstanding	$226	$235	$397
Average interest rate on average balance	1.3%	1.7%	3.0%

Income Taxes. The effective income tax rate for 2003 was 32.1%, compared with 33.9% in 2002 and 38.3% in 2001. The 2003 and 2002 effective tax rates included the effect of income tax credits recorded on the resolution of various federal and state income tax issues: $31 million in 2003 and $25 million in 2002. Excluding these tax credits, our 2003 and 2002 effective tax rates were 37.0%. The 1.3% decrease in the effective tax rate in 2002 compared with 2001 was due primarily to the favorable impact of eliminating goodwill amortization.

Impact of Inflation. Inflation did not have a material impact on our 2003, 2002, or 2001 net sales or earnings. We value inventory principally on a LIFO basis, and as a result, the current cost of merchandise is reflected in current

operating results.

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. Return on beginning equity was 10.7% in 2003, compared with 14.1% in 2002 and 18.2% in 2001. Restructuring charges reduced return on equity by 5.1% in 2003 and 2.0% 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). Return on net assets was 9.7% in 2003, compared with 11.8% in 2002 and 15.5% in 2001. Restructuring charges reduced return on net assets by 3.2% in 2003 and 1.1% in 2002.

Cash Flows. Cash flows from operations were $1.7 billion in 2003, compared with $1.5 billion in 2002 and $1.6 billion in 2001. The increase in cash flows from operations in 2003 was due primarily to a decrease in cash paid for income taxes and the effect of inventory and accounts payable balance changes.

Sources (uses) of cash flows were:

(in millions)	2003	2002	2001
Net earnings	$ 434	$ 542	$ 703
Depreciation and amortization	564	557	559
Store divestiture asset impairments	317	-	-
Working capital decreases	442	211	318
Other operating activities	(82)	150	64
Cash flows from operations	1,675	1,460	1,644
Net capital expenditures	(549)	(790)	(756)
Business combinations	(70)	-	(425)
Cash flows used for investing activities	(619)	(790)	(1,181)
Net long-term debt issuances (repayments)	(78)	(434)	72
Net short-term debt issuances (repayments)	(150)	72	78
Net purchases of common stock	(26)	(14)	(420)
Dividend payments	(293)	(291)	(297)
Cash flows used for financing activities	(547)	(667)	(567)
Increase (decrease) in cash and cash equivalents	$ 509	$ 3	$ (104)

See "Consolidated Statements of Cash Flows" on page 23.

Investing Activities. Capital expenditures were made primarily 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.

Business combinations in 2003 included the purchase of certain assets of Gingiss Formalwear, Desmonds Formalwear, and Modern Tuxedo. In 2001, business combinations included the acquisition of After Hours, Priscilla of Boston, and nine department stores in the Tennessee and Louisiana markets.

Liquidity and Available Credit. 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 August 2, 2004. These credit agreements support our commercial paper borrowings. Financial covenants under the credit agreements include a minimum fixed-charge coverage ratio and a maximum debt-to-capitalization ratio. We also maintain a $28 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.

Annual maturities of long-term debt, including sinking fund requirements and capital lease obligations, are $239 million, $155 million, $131 million, $260 million, and $177 million for 2004 through 2008. Maturities of long-term debt are scheduled over the next 33 years, with the largest single-year principal repayment being $260 million. Interest payments on long-term debt are typically paid on a semi-annual basis.

In February 2004, our board of directors approved the repurchase of up to $500 million of May common stock, and we announced our plans for early redemption of $200 million of 8.375% debentures due in 2024. We will incur costs of approximately $8 million for the early redemption expected in August 2004. Both the share repurchase and the debt redemption will be accomplished with

Source: MAY DEPARTMENT STORE, 10-K, March 26, 2004

internally generated funds.

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 $568 million as of January 31, 2004.

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.

Our debt-to-capitalization ratios were 46%, 48%, and 51% for 2003, 2002, and 2001, 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 29 for discussion of the ESOP.

Our fixed-charge coverage ratios were 2.6x in 2003, 2.8x in 2002, and 3.5x in 2001. Restructuring charges reduced the fixed-charge coverage ratio by 0.9x in 2003 and 0.3x in 2002.

Employee Stock Options. Effective February 2, 2003, we began expensing the fair value of all stock-based compensation granted after February 2, 2003. We adopted the fair value method prospectively. The expense associated with stock options issued in 2003 was $3 million, or $0.01 per share.

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 $0.97 per share effective with the March 2004 dividend. This is our 29th 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 2003 and 2002 were:

	2003			2002		
	Market Price		Dividends	Market Price		Dividends
Quarter	High	Low	per Share	High	Low	per Share
First	$21.72	$17.81	$0.24	$37.75	$33.04	$0.2375
Second	25.34	20.02	0.24	37.08	25.74	0.2375
Third	28.20	23.70	0.24	30.50	20.10	0.2375
Fourth	34.06	26.37	0.24	26.10	20.08	0.2375
Year	$34.06	$17.81	$0.96	$37.75	$20.08	$0.9500

The approximate number of common shareowners as of March 1, 2004, was 38,000.

Contractual Obligations. The following table summarizes our contractual cash obligations as of January 31, 2004:

(in millions)	Total	Less than 1 Year	2-3 Years	4-5 Years	More than 5 Years
Long-term debt	$3,988	$ 238	$ 281	$ 433	$3,036
Capital lease obligations	92	7	14	14	57
Operating lease obligations	858	108	193	158	399
Total	$4,938	$ 353	$ 488	$ 605	$3,492

In the ordinary course of business, we enter into arrangements with vendors to purchase merchandise up to 12 months in advance of expected delivery. These purchase orders do not contain any significant termination payments or other penalties if cancelled.

Critical Accounting Policies

Accounts Receivable Allowance. In 2003, approximately 35% of our net sales were made under our department store credit programs, which resulted in customer accounts receivable balances of approximately $1.7 billion at January 31, 2004. 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 experience to vary significantly from our estimate.

Retail Inventory Method. Under the retail inventory 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 could result in lower gross margins.

Asset Impairments. 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 with its carrying value. If the cash flows are not sufficient to recover the

carrying value, the assets are written down to fair value. Prior to 2003, impairment losses associated with these reviews were not significant. In 2003, we recorded an asset impairment loss of $317 million because of the planned divestiture of 34 department stores. In the future, if store-for-store sales decline and general economic conditions are negative, impairment losses could be significant.

Self-insurance Reserves. We self-insure a portion of the exposure for costs related primarily 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.

Pension Plans. 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 2004 pension expense will be approximately $100 million.

Impact of New Accounting Pronouncements

In May 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 establishes standards that require companies to classify certain financial instruments as liabilities that were previously classified as equity. We did not reclassify any financial instruments as a result of adopting SFAS No. 150.

In the first quarter of fiscal 2002, we adopted 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. Net earnings in 2001, excluding goodwill amortization, were $740 million, or $2.32 per share.

Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk arises primarily 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 offices located outside the United States are generally paid in local currency and are not material. During fiscal 2003, 2002, and 2001, we were not party to 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 restructuring activities. 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.

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 sheets of The May Department Stores Company and subsidiaries (the "Company") as of January 31, 2004 and February 1, 2003, and the related consolidated statements of earnings, shareowners' equity, and cash flows for the years then ended. Our audits also included the financial statement schedules, as of and for the years ended January 31, 2004 and February 1, 2003, listed at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits. The consolidated financial statements and financial statement schedule of the Company for the year ended February 2, 2002 (fiscal 2001), 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 state that such fiscal 2001 financial statement schedule, when considered in relation to the fiscal 2001 basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein, in their report dated February 13, 2002.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the fiscal 2003 and 2002 consolidated financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2004 and February 1, 2003, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the fiscal 2003 and 2002 financial statement schedules, 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 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 included (1) comparing the previously reported net earnings to the previously issued consolidated financial statements and the adjustments to reported net earnings representing amortization expense (including any related tax effects) recognized in the period related to goodwill that is no longer being amortized 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 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 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 consolidated financial statements taken as a whole.

/s/Deloitte & Touche LLP
St. Louis, Missouri
March 19, 2004

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 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 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

CONSOLIDATED STATEMENTS OF EARNINGS

(in millions, except per share)	2003	2002	2001
Net sales	$13,343	$13,491	$13,883
Cost of sales:			
Recurring	9,372	9,440	9,632
Restructuring markdowns	6	23	-
Selling, general, and administrative expenses	2,686	2,772	2,758
Restructuring costs	322	91	-
Interest expense, net	318	345	354
Earnings before income taxes	639	820	1,139
Provision for income taxes	205	278	436
Net earnings	$ 434	$ 542	$ 703
Basic earnings per share	$ 1.44	$ 1.82	$ 2.31
Diluted earnings per share	$ 1.41	$ 1.76	$ 2.21

See Notes to Consolidated Financial Statements.

Source: MAY DEPARTMENT STORE, 10-K, March 26, 2004

CONSOLIDATED BALANCE SHEETS

(dollars in millions, except per share)	January 31, 2004	February 1, 2003
Assets		
Current assets:		
Cash	$ 20	$ 21
Cash equivalents	544	34
Accounts receivable, net of allowance for doubtful accounts of $105 and $112	1,755	1,776
Merchandise inventories	2,737	2,857
Other current assets	87	99
Total current assets	5,143	4,787
Property and equipment:		
Land	351	361
Buildings and improvements	4,648	4,753
Furniture, fixtures, equipment, and other	4,047	4,034
Property under capital leases	57	57
Total property and equipment	9,103	9,205
Accumulated depreciation	(3,954)	(3,739)
Property and equipment, net	5,149	5,466
Goodwill	1,504	1,441
Intangible assets, net of accumulated amortization of $27 and $19	168	176
Other assets	133	131
Total assets	$ 12,097	$ 12,001
Liabilities and shareowners' equity		
Current liabilities:		
Short-term debt	$ -	$ 150
Current maturities of long-term debt	239	139
Accounts payable	1,191	1,101
Accrued expenses	975	947
Income taxes payable	280	264
Total current liabilities	2,685	2,601
Long-term debt	3,797	4,035
Deferred income taxes	773	710
Other liabilities	507	507
ESOP preference shares	235	265
Unearned compensation	(91)	(152)
Shareowners' equity:		
Common stock	144	144
Additional paid-in capital	16	9
Retained earnings	4,098	3,957
Accumulated other comprehensive loss	(67)	(75)
Total shareowners' equity	4,191	4,035
Total liabilities and shareowners' equity	$ 12,097	$ 12,001

Common stock has a par value of $0.50 per share; 1 billion shares are authorized. At January 31, 2004, 320.5 million shares were issued, with 288.8 million shares outstanding and 31.7 million shares held in treasury. At February 1, 2003, 320.5 million shares were issued, with 288.3 million shares outstanding and 32.2 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 January 31, 2004, 462,846 shares (convertible into 15.6 million shares of common stock) were issued and outstanding. At February 1, 2003, 522,587 shares (convertible into 17.7 million shares of common stock) were issued and outstanding.

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	2003	2002	2001
Operating activities			

Net earnings	$ 434	$ 542	$ 703
Adjustments for noncash items included in earnings:			
Depreciation and other amortization	556	546	511
Goodwill and other intangible amortization	8	11	48
Store divestiture asset impairments	317	-	-
Deferred income taxes	(64)	34	63
Working capital changes:			
Accounts receivable, net	21	202	183
Merchandise inventories	122	17	103
Other current assets	-	24	30
Accounts payable	90	79	51
Accrued expenses	24	(103)	(30)
Income taxes payable	185	(8)	(19)
Other assets and liabilities, net	(18)	116	1
Cash flows from operations	1,675	1,460	1,644
Investing activities			
Capital expenditures	(600)	(798)	(797)
Proceeds from dispositions of property and equipment	51	8	41
Business combinations	(70)	-	(425)
Cash flows used for investing activities	(619)	(790)	(1,181)
Financing activities			
Issuances of long-term debt	-	-	250
Repayments of long-term debt	(78)	(434)	(178)
Net issuances (repayments) of short-term debt	(150)	72	78
Purchases of common stock	(52)	(45)	(474)
Issuances of common stock	26	31	54
Dividend payments	(293)	(291)	(297)
Cash flows used for financing activities	(547)	(667)	(567)
Increase (decrease) in cash and cash equivalents	509	3	(104)
Cash and cash equivalents, beginning of year	55	52	156
Cash and cash equivalents, end of year	$ 564	$ 55	$ 52
Cash paid during the year:			
Interest expense	$ 329	$ 369	$ 344
Income taxes	87	225	369

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREOWNERS' EQUITY

(dollars in millions, except per share, shares in thousands)	Outstanding Common Stock Shares	Outstanding Common Stock $	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareowners' Equity
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
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
Net earnings	-	-	-	434	-	434
Minimum pension liability, net	-	-	-	-	(3)	(3)
Unrealized gains on marketable securities, net of tax of $7	-	-	-	-	11	11
Comprehensive earnings						442
Dividends paid:						
Common stock ($0.96 per share)	-	-	-	(277)	-	(277)
ESOP preference shares, net of tax benefit	-	-	-	(16)	-	(16)
Common stock issued	2,631	1	58	-	-	59

Common stock purchased	(2,091)	(1)	(51)	-	-	(52)
Balance at January 31, 2004	288,791	$144	$ 16	$4,098	$ (67)	$4,191

(in thousands)	Treasury Shares 2003	2002	2001
Balance, beginning of year	32,204	183,282	172,285
Common stock issued:			
Exercise of stock options	(484)	(935)	(1,588)
Deferred compensation plan	(281)	(151)	(231)
Restricted stock grants, net of forfeitures	153	(236)	(337)
Conversion of ESOP preference shares	(2,019)	(1,401)	(876)
Contribution to profit sharing plan	-	-	(6)
	(2,631)	(2,723)	(3,038)
Common stock purchased	2,091	1,645	14,035
Common stock retired	-	(150,000)	-
Balance, end of year	31,664	32,204	183,282

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 2003, 2002, and 2001 ended on January 31, 2004, February 1, 2003, and February 2, 2002, respectively. 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 (May or the company), a Delaware corporation, and all subsidiaries. All intercompany transactions are eliminated. The company operates as one reportable segment. The company's 444 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 210 David's Bridal stores, 460 After Hours Formalwear 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. Recurring cost of sales includes the cost of merchandise, inbound freight, distribution expenses, buying, and occupancy costs. In 2003, restructuring markdowns were incurred to liquidate inventory as stores to be divested were closing. In 2002, restructuring markdowns were incurred to conform merchandise assortments and synchronize pricing and promotional strategies during the division combinations.

Vendor Allowances. The company has arrangements with some vendors under 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 $628 million, $669 million, and $652 million in 2003, 2002, and 2001, 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. Finance charge revenues were $244 million, $261 million, and $292 million in 2003, 2002, and 2001, respectively.

Income Taxes. Income taxes are accounted for using 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.

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

Stock-based Compensation. Effective February 2, 2003, the company adopted the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation." The company adopted SFAS No. 123 using the prospective transition method, under which all stock-based compensation granted after February 2, 2003, is expensed using the fair value method. The expense associated with stock options issued in 2003 was $3 million.

The company accounts for stock-based compensation on stock options granted prior to February 2, 2003 by applying Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," as allowed under SFAS No. 123. Accordingly, no compensation expense was recognized for these stock options because the option exercise price was fixed at the market price on the date of grant.

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 valued principally 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. There was no LIFO provision or credit in 2003 or 2002.

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 their expected useful life. Capitalized interest was $16 million, $23 million, and $22 million in 2003, 2002, and 2001, respectively. The estimated useful life for each major class of long-lived assets 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. Business combinations in 2003 added $63 million of goodwill. The company completes its annual goodwill impairment test in the fourth quarter. No impairment was identified in 2003 or 2002. 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 their net book values 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 writedown to fair value is required. Prior to 2003, impairment losses resulting from these reviews were not significant. In 2003, the company recorded $317 million of asset impairments for the planned divestiture of 34 department stores. In the future, if store-for-store sales decline and general economic conditions are negative, impairment losses could be significant.

Financial Derivatives. The company was not a party to any derivative financial instruments in 2003, 2002, or 2001.

Impact of New Accounting Pronouncements. In May 2003, the Financial Accounting Standards Board issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 establishes standards that require companies to classify certain financial instruments as liabilities that were previously classified as equity. The company did not reclassify any financial instruments as a result of adopting SFAS No. 150.

In 2002, the company adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which eliminated goodwill amortization and prescribes a new approach for assessing potential goodwill impairments. The following table illustrates the impact of goodwill amortization on the results of 2001:

(in millions, except per share)	2003	2002	2001
Reported net earnings	$ 434	$ 542	$ 703
Add back: Goodwill amortization, net of tax	-	-	37
Adjusted net earnings	$ 434	$ 542	$ 740
Basic earnings per share:			
Reported net earnings	$ 1.44	$ 1.82	$ 2.31
Add back: Goodwill amortization, net of tax	-	-	0.12
Adjusted basic earnings per share	$ 1.44	$ 1.82	$ 2.43
Diluted earnings per share:			
Reported net earnings	$ 1.41	$ 1.76	$ 2.21
Add back: Goodwill amortization, net of tax	-	-	0.11
Adjusted diluted earnings per share	$ 1.41	$ 1.76	$ 2.32

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

RESTRUCTURING COSTS

Store Divestitures. In July 2003, the company announced its intention to divest 34 underperforming department stores. These divestitures will result in total estimated charges of $380 million, consisting of asset impairments of $317 million, inventory liquidation losses of $25 million, severance benefits of $23 million, and other charges of approximately $15 million. Approximately $50 million of the $380 million represents the cash cost of the store divestitures, not including the benefit from future tax credits. Of the $380 million of expected total charges, $328 million was recognized in 2003, $6 million of which was included in cost of sales. Most of the remaining costs are expected to be recognized in 2004 and 2005.

The company is negotiating agreements with landlords and developers for each store divestiture. Through the end of 2003, the company has closed nine of the 34 stores it intends to divest.

The significant components of the store divestiture costs and status of the related liability are summarized below:

(in millions)	2003 Charge	Payments (Proceeds)	Non-cash Uses	Balance Jan. 31, 2004
Asset impairment	$ 317	$ -	$ 317	$ -
Disposal (gains) losses	(9)	(30)	21	-
Inventory liquidation losses	6	6	-	-
Severance benefits	6	6	-	-
Other	8	8	-	-
Total	$ 328	$ (10)	$ 338	$ -

Asset impairment charges were recorded to reduce store assets to their estimated fair value because of the shorter period over which they will be used. Estimated fair values were based on estimated market values for similar assets. Inventory liquidation losses are incurred to mark down inventory during liquidation sales as stores to be divested are closing. Severance benefits are recognized as each store is closed. As of January 31, 2004, severance benefits were paid to approximately 900 store and central office associates.

Division Combinations. In 2002, the company recorded restructuring charges of $102 million for the Filene's/Kaufmann's and Robinsons-May/Meier & Frank division combinations and $12 million for the closure of the Arizona Credit Center and realignment of the company's data centers. Of the $114 million in total charges, $23 million was included as cost of sales.

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

(in millions)	Total Charge	Balance Feb. 1, 2003	Payments	Non-cash Uses	Balance Jan. 31, 2004
Severance and relocation benefits	$ 59	$ 17	$ 15	$ -	$ 2
Inventory alignment	23	-	-	-	-
Central office closure	15	-	-	-	-
Other	17	7	2	5	-
Total	$114	$ 24	$ 17	$ 5	$ 2

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

BUSINESS COMBINATIONS

In 2003, the company acquired 225 tuxedo rental and retail locations, primarily

in the Midwestern and Western United States. These purchases include certain assets of Gingiss Formalwear, Desmonds Formalwear, and Modern Tuxedo. The aggregate purchase price for these acquisitions was $70 million. The purchase price allocations for these business combinations are preliminary and subject to final valuations. These transactions did not have a material effect on results of operations or financial position.

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 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 $53 million for 2003, an effective match rate of 91%. The matching allocation values were $28 million in 2002 and $33 million in 2001.

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 $91 million outstanding portion of the guaranteed ESOP debt is reflected on the consolidated balance sheet as current maturities of long-term debt because the company will fund the remaining debt service in 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 $9 million in 2003, $14 million in 2002, and $18 million in 2001. Dividends on ESOP preference shares were $18 million in 2003, $20 million in 2002, and $22 million in 2001.

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 $46 million in 2003, $40 million in 2002, and $47 million in 2001.

At January 31, 2004, the plan beneficially owned 12.3 million shares of the company's common stock and 100% of the company's ESOP preference shares, representing 9.2% of the company's common stock.

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:

(in millions)	2003	2002	2001
Components of pension expense (all plans)			
Service cost	$ 51	$43	$39
Interest cost	59	55	53
Expected return on assets	(31)	(38)	(42)
Net amortization(1)	29	12	12
Total	$108	$72	$62

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

(as of January 1)	2004	2003	2002
Actuarial assumptions			
Discount rate	6.00%	6.75%	7.25%
Expected return on plan assets	7.00	7.00	7.50
Salary increase	3.50	4.00	4.00

The expected return on plan assets represents the weighted expected return for each asset category using the target allocation and actual returns in prior

periods.

Target asset allocations and actual asset allocations by asset category were:

Asset Category	Target Allocation 2003	Percentage of Actual Plan Assets 2003	2002
Equity securities	55-65%	61%	60%
Debt securities	35-45	39	40
		100%	100%

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

(in millions)	Qualified Plan 2003	2002	Nonqualified Plans 2003	2002
Change in PBO(1)				
PBO at beginning of year	$727	$638	$ 175	$ 170
Service cost	46	39	5	4
Interest cost	46	44	13	11
Actuarial loss(2)	72	53	43	-
Plan amendments	(1)	15	2	(1)
Benefits paid	(69)	(62)	(10)	(9)
PBO at end of year	$821	$727	$ 228	$ 175
ABO at end of year(3)	$715	$641	$ 187	$ 152

(in millions)	Qualified Plan 2003	2002	Nonqualified Plans 2003	2002
Change in net plan assets				
Fair value of net plan assets at beginning of year	$ 494	$ 549	$ -	$ -
Actual return on plan assets	88	(47)	-	-
Employer contribution	84	54	-	-
Benefits paid	(69)	(62)	-	-
Fair value of net plan assets at end of year	$ 597	$ 494	$ -	$ -
Funded status (PBO less plan assets)	$(224)	$(233)	$(228)	$(175)
Unrecognized net actuarial loss	194	192	78	40
Unrecognized prior service cost	49	60	11	11
Net prepaid (accrued) benefit cost	$ 19	$ 19	$(139)	$(124)
Plan assets (less than) ABO	$(118)	$(147)	$(187)	$(152)
Amounts recognized in the balance sheets(4)				
Accrued benefit liability	$(118)	$(147)	$(187)	$(152)
Intangible asset	49	60	10	11
Accumulated other comprehensive loss	88	106	38	17
Net amount recognized	$ 19	$ 19	$(139)	$(124)

(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.

Estimated future benefit payments to plan participants at January 31, 2004 are:

(in millions)	Qualified Plan	Nonqualified Plan
2004	$ 79	$ 9
2005	82	9
2006	85	9
2007	87	9
2008	90	9
2009-2013	463	41

The company's practice is to make annual plan contributions equal to qualified plan expense. The company expects 2004 qualified plan expense to be approximately $75 million.

The company also provides postretirement life and/or health benefits for certain

associates. As of January 31, 2004, the company's estimated PBO (at a discount rate of 6.00%) for postretirement benefits was $67 million, of which $50 million was accrued in other liabilities. 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. The postretirement plan is unfunded. The postretirement benefit expense was $6 million in 2003 and $4 million in both 2002 and 2001.

The estimated future obligations for postretirement medical benefits are based upon assumed annual healthcare cost increases of 9% for 2004, 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 $4 million.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 is not expected to have a material impact on the company's postretirement health benefits.

TAXES

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

(dollars in millions)	2003		2002		2001	
	$	%	$	%	$	%
Federal	$231		$211		$315	
State and local	38		33		58	
Current taxes	269	42.1%	244	29.7%	373	32.7%
Federal	(59)		62		54	
State and local	(5)		(28)		9	
Deferred taxes	(64)	(10.0)	34	4.2	63	5.6
Total	$205	32.1%	$278	33.9%	$436	38.3%

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)	2003	2002	2001
Statutory federal income tax rate	35.0%	35.0%	35.0%
State and local income taxes	5.2	0.6	5.9
Federal tax benefit of state and local income taxes	(1.8)	(0.2)	(2.1)
Resolution of federal tax matters	(4.9)	0.0	0.0
Other, net	(1.4)	(1.5)	(0.5)
Effective income tax rate	32.1%	33.9%	38.3%

Major components of deferred tax assets (liabilities) were:

(in millions)	2003	2002
Accrued expenses and reserves	$ 108	$ 127
Deferred and other compensation	194	209
Merchandise inventories	(224)	(188)
Depreciation and amortization and basis differences	(879)	(792)
Other deferred income tax liabilities, net	(5)	(53)
Net deferred income taxes	(806)	(697)
Less: Net current deferred income tax assets(liabilities)	(33)	13
Noncurrent deferred income taxes	$(773)	$(710)

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 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 include the effect of outstanding options. Options excluded from the diluted earnings per share calculation because of their antidilutive effect totaled 23.4 million in 2003, 18.5 million in 2002, and 9.3 million in 2001. The following tables reconcile net earnings and weighted average shares outstanding to amounts used to calculate basic and diluted earnings per share for 2003, 2002, and 2001:

(in millions, except per share)			2003
	Net Earnings	Shares	Earnings per Share
Net earnings	$434		
ESOP preference shares' dividends	(16)		
Basic earnings per share	$418	289.9	$1.44
ESOP preference shares	14	16.6	
Assumed exercise of options (treasury stock method)	-	0.5	
Diluted earnings per share	$432	307.0	$1.41

(in millions, except per share)			2002
	Net Earnings	Shares	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)			2001
	Net Earnings	Shares	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

ACCOUNTS RECEIVABLE

Credit sales under department store credit programs as a percent of net sales were 35.3% in 2003. This compares with 36.9% in 2002 and 39.0% in 2001. Net accounts receivable consisted of:

(in millions)	2003	2002
Customer accounts receivable	$1,703	$1,750
Other receivables	157	138
Total accounts receivable	1,860	1,888
Allowance for doubtful accounts	(105)	(112)
Accounts receivable, net	$1,755	$1,776

The fair value of customer accounts receivable approximates their carrying values at January 31, 2004, and February 1, 2003, 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 43.6% in 2003, 41.1% in 2002, and 38.2% in 2001.

OTHER CURRENT ASSETS

Other current assets consisted of:

(in millions)	2003	2002
Prepaid expenses and supply inventories	$87	$86

Current deferred income taxes	-	13
Total	$87	$99

OTHER ASSETS

Other assets consisted of:

(in millions)	2003	2002
Intangible pension asset	$ 59	$ 71
Deferred debt expense	35	39
Other	39	21
Total	$133	$131

ACCRUED EXPENSES

Accrued expenses consisted of:

(in millions)	2003	2002
Insurance costs	$ 262	$ 257
Salaries, wages, and employee benefits	190	172
Advertising and other operating expenses	157	146
Interest and rent expense	135	134
Sales, use, and other taxes	116	104
Construction costs	55	68
Current deferred income taxes	33	-
Other	27	66
Total	$ 975	$ 947

SHORT-TERM DEBT AND LINES OF CREDIT

Short-term debt for the last three years was:

(dollars in millions)	2003	2002	2001
Balance outstanding at year-end	$ -	$ 150	$ 78
Average balance outstanding	226	235	397
Average interest rate:			
At year-end	-	1.3%	1.8%
On average balance	1.3%	1.7%	3.0%
Maximum balance outstanding	$ 473	$ 825	$1,090

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 2003 consisted of $445 million of commercial paper and $28 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 August 2, 2004. These credit agreements support the company's commercial paper borrowings. 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 $28 million credit facility with a group of minority-owned banks.

LONG-TERM DEBT

Long-term debt and capital lease obligations were:

(in millions)	2003	2002
Unsecured notes and sinking-fund debentures due 2004-2036	$3,970	$4,104
Mortgage notes and bonds due 2004-2020	18	21
Capital lease obligations	48	49
Total debt	4,036	4,174
Less: Current maturities of long-term debt	239	139
Long-term debt	$3,797	$4,035

The weighted average interest rate of long-term debt was 8.0% at January 31, 2004, and 8.0% at February 1, 2003.

The annual maturities of long-term debt, including sinking fund requirements and capital lease obligations, are $239 million, $155 million, $131 million, $260 million, and $177 million for 2004 through 2008. Maturities of long-term debt are scheduled over the next 33 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 $73 million at January 31, 2004.

The fair value of long-term debt (excluding capital lease obligations) was approximately $4.7 billion and $4.8 billion at January 31, 2004, and February 1, 2003, 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 related to 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 related to the call of $100 million of 9.875% debentures due in 2021. These debentures were called effective October 9, 2001.

In February 2004, the company announced its intention to redeem $200 million of 8.375% debentures due in 2024. The debentures are expected to be called effective August 1, 2004.

LEASE OBLIGATIONS

The company leases approximately 27% of its gross retail square footage. Rental expense for the company's operating leases consisted of:

(in millions)	2003	2002	2001
Minimum rentals	$107	$ 97	$80
Contingent rentals based on sales	12	13	15
Real property rentals	119	110	95
Equipment rentals	2	3	4
Total	$121	$113	$99

Future minimum lease payments at January 31, 2004, were:

(in millions)	Capital Leases	Operating Leases	Total
2004	$ 7	$108	$115
2005	7	101	108
2006	7	92	99
2007	7	84	91
2008	7	74	81
After 2008	57	399	456
Minimum lease payments	$ 92	$858	$950

The present value of minimum lease payments under capital leases was $48 million at January 31, 2004, of which $2 million was included in current liabilities. The present value of operating leases (minimum rents) was $568 million at January 31, 2004. Property under capital leases was:

(in millions)	2003	2002
Cost	$57	$57
Accumulated amortization	(33)	(31)
Total	$24	$26

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 $825 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 $144 million at January 31, 2004, and $148 million at February 1, 2003. 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 consolidated financial statements taken as a whole.

STOCK OPTION AND STOCK-RELATED PLANS

Under the company's common stock option plans, options are granted at market price on the date of grant. Options to purchase may extend for up to 10 years, may be exercised after stated intervals of time, and are conditional upon continued active employment with the company. At the end of 2003, 17.1 million shares were available for grant under the plans, of which 5.7 million could be issued as restricted stock.

Effective February 2, 2003, the company adopted the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." The company adopted SFAS No. 123 using the prospective transition method, under which all stock-based compensation granted after February 2, 2003, is expensed using the fair value method.

Stock options granted prior to February 2, 2003, are accounted for as provided by APB Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation cost has been recognized related to these stock options because the option exercise price is fixed at the market price on the date of grant.

Stock option expense is recorded over each option grant's vesting period, usually four years. Accordingly, the cost related to stock-based employee compensation included in net earnings, using the prospective method of transition, is less than it would have been had the fair value method been applied retroactively to all outstanding grants. The following table illustrates the pro forma effect on net earnings and earnings per share for 2003, 2002, and 2001 if the fair value-based method had been applied retroactively rather than prospectively to all outstanding unvested grants.

(millions, except per share)	2003	2002	2001
Net earnings, as reported	$ 434	$ 542	$ 703
Add: Compensation expense for employee stock options included in net earnings, net of tax	2	-	-
Deduct: Total compensation expense for employee stock options determined under retroactive fair value-based method, net of tax	22	23	26
Pro forma net earnings	$ 414	$ 519	$ 677
Earnings per share:			
Basic - as reported (prospective)	$ 1.44	$ 1.82	$ 2.31
Basic - pro forma (retroactive)	$ 1.37	$ 1.74	$ 2.23
Diluted - as reported (prospective)	$ 1.41	$ 1.76	$ 2.21
Diluted - pro forma (retroactive)	$ 1.34	$ 1.69	$ 2.14

The company uses the Black-Scholes option pricing model to estimate the grant date fair value of its 1996 and later option grants. The Black-Scholes assumptions used were:

	2003	2002	2001
Risk-free interest rate	3.1%	5.1%	4.6%
Expected dividend	$0.96	$0.95	$0.94
Expected option life (years)	7	7	7
Expected volatility	32%	32%	32%

A combined summary of the stock option plans at the end of 2003, 2002, and 2001, and of the changes in outstanding shares within years, is presented below:

(shares in thousands)	2003		2002		2001	
	Shares	Average Exercise Price	Shares	Average Exercise Price	Shares	Average Exercise Price
Beginning of year	25,275	$34	22,474	$34	20,057	$33
Granted	4,237	22	5,131	35	4,688	36
Exercised	(485)	25	(947)	26	(1,588)	26
Forfeited or expired	(2,904)	33	(1,383)	36	(683)	35
End of year	26,123	$33	25,275	$34	22,474	$34
Exercisable at end of year	16,082	$35	14,431	$35	11,049	$34
Fair value per share of options granted		$ 5		$11		$11

The following table summarizes information about stock options outstanding at January 31, 2004:

	Options Outstanding			Options Exercisable	
Exercise Price Range	Number Outstanding (in thousands)	Average Remaining Contractual Life	Average Exercise Price	Number Exercisable (in thousands)	Average Exercise Price
$21-30	10,459	7	$25	5,358	$26
31-35	6,024	7	34	2,826	33
36-45	9,640	6	41	7,898	42
	26,123	6	$33	16,082	$35

The company is authorized to grant restricted stock to management associates with or without performance restrictions. No monetary consideration is paid by associates who receive restricted stock. Restricted stock vests over periods of up to 10 years. In 2003 and 2002, the company granted 125,000 and 439,208 shares of restricted stock, respectively. The aggregate outstanding shares of restricted stock as of January 31, 2004, and February 1, 2003, were 904,000 and 1,140,750, respectively. For restricted stock grants, compensation expense is based upon the grant date market price and is recorded over the vesting period. For performance-based restricted stock, compensation expense is recorded over the performance period and is based on estimates of performance levels.

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.

In February 2004, the company's board of directors authorized a common stock repurchase program of $500 million.

PREFERENCE STOCK

The company is authorized to issue up to 25 million shares of $0.50 par value preference stock. As of January 31, 2004, there were 800,000 ESOP preference shares authorized and 462,846 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 paid semiannually 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.

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:

(in millions, except per share)	First	Second	Third	Fourth	2003 Year
Net sales	$2,873	$3,000	$2,976	$4,494	$13,343
Cost of sales:					
Recurring	2,088	2,118	2,160	3,006	9,372
Restructuring markdowns	-	-	1	5	6
Selling, general, and					

administrative expenses	640	657	658	731	2,686
Restructuring costs	-	318	5	(1)	322
Pretax earnings	65	(173)	74	673	639
Net earnings	72	(110)	47	425	434
Earnings per share:					
Basic	$ 0.23	$(0.39)	$ 0.15	$ 1.45	$ 1.44
Diluted	0.23	(0.39)	0.15	1.38	1.41

(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
Restructuring markdowns	-	20	3	-	23
Selling, general, and administrative expenses	658	657	691	766	2,772
Restructuring 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

CONDENSED CONSOLIDATING FINANCIAL INFORMATION. The company ("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 January 31, 2004, and February 1, 2003, and the related condensed consolidating statements of earnings and cash flows for each of the three fiscal years in the period ended January 31, 2004, are presented below.

Condensed Consolidating Balance Sheet
As of January 31, 2004

(millions)	Parent	Subsidiary Issuer	Other Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ -	$ 551	$ 13	$ -	$ 564
Accounts receivable, net	-	1,740	46	(31)	1,755
Merchandise inventories	-	2,637	100	-	2,737
Other current assets	-	75	32	(20)	87
Total current assets	-	5,003	191	(51)	5,143
Property and equipment, at cost	-	8,860	243	-	9,103
Accumulated depreciation	-	(3,882)	(72)	-	(3,954)
Property and equipment, net	-	4,978	171	-	5,149
Goodwill	-	1,129	375	-	1,504
Intangible assets, net	-	4	164	-	168
Other assets	-	125	8	-	133
Intercompany (payable) receivable	(642)	161	3,706	(3,225)	-
Investment in subsidiaries	4,981	-	-	(4,981)	-
Total assets	$ 4,339	$11,400	$ 4,615	$ (8,257)	$12,097
LIABILITIES AND SHAREOWNERS' EQUITY					
Current liabilities:					
Short-term debt	$ -	$ -	$ -	$ -	$ -
Current maturities of long-term debt	-	239	-	-	239
Accounts payable	-	1,095	91	5	1,191
Accrued expenses	4	917	110	(56)	975
Income taxes payable	-	240	40	-	280
Total current liabilities	4	2,491	241	(51)	2,685
Long-term debt	-	3,796	1	-	3,797
Intercompany note payable					

(receivable)	-	3,225	-	(3,225)	-
Deferred income taxes	-	706	67	-	773
Other liabilities	-	985	9	(487)	507
ESOP preference shares	235	-	-	-	235
Unearned compensation	(91)	(91)	-	91	(91)
Shareowners' equity	4,191	288	4,297	(4,585)	4,191
Total liabilities and shareowners' equity	$ 4,339	$11,400	$ 4,615	$ (8,257)	$12,097

Condensed Consolidating Statement of Earnings
For the Fiscal Year Ended January 31, 2004

(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Eliminations	Consolidated
Net sales	$ -	$ 12,735	$ 1,918	$ (1,310)	$ 13,343
Cost of sales:					
Recurring	-	9,185	1,477	(1,290)	9,372
Restructuring markdowns	-	6	-	-	6
Selling, general, and administrative expenses	-	2,434	286	(34)	2,686
Restructuring costs	-	322	-	-	322
Interest expense (income), net:					
External	-	318	-	-	318
Intercompany	-	285	(285)	-	-
Equity in earnings of subsidiaries	(434)	-	-	434	-
Earnings (loss) before income taxes	434	185	440	(420)	639
Provision for income taxes	-	48	157	-	205
Net earnings (loss)	$ 434	$ 137	$ 283	$ (420)	$ 434

Condensed Consolidating Statement of Cash Flows
For the Fiscal Year Ended January 31, 2004

(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net earnings (loss)	$ 434	$ 137	$ 283	$ (420)	$ 434
Equity in earnings of subsidiaries	(434)	-	-	434	-
Depreciation and amortization	-	525	39	-	564
Asset impairments	-	317	-	-	317
(Increase) decrease in working capital	(1)	425	15	3	442
Other, net	(27)	27	(65)	(17)	(82)
Cash flows from (used for) operations	(28)	1,431	272	-	1,675
Investing activities:					
Net additions to property and equipment, and business combinations	-	(484)	(135)	-	(619)
Cash flows used for investing activities	-	(484)	(135)	-	(619)
Financing activities:					
Net short-term debt repayments	-	(150)	-	-	(150)
Net long-term debt repayments	-	(53)	(25)	-	(78)
Net issuances (repurchases) of common stock	(39)	13	-	-	(26)
Dividend payments	(295)	2	-	-	(293)
Intercompany activity, net	362	(245)	(117)	-	-
Cash flows from (used for) financing activities	28	(433)	(142)	-	(547)
Increase (decrease) in cash and cash equivalents	-	514	(5)	-	509
Cash and cash equivalents, beginning of year	-	37	18	-	55

	Parent	Subsidiary Issuer	Other Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents, end of year	$ -	$ 551	$ 13	$ -	$ 564

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	-	1,766	46	(36)	1,776
Merchandise inventories	-	2,787	70	-	2,857
Other current assets	-	79	23	(3)	99
Total current assets	-	4,669	157	(39)	4,787
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	3,617	(3,200)	-
Investment in subsidiaries	4,824	-	-	(4,824)	-
Total assets	$ 4,153	$11,514	$ 4,397	$ (8,063)	$12,001
LIABILITIES AND SHAREOWNERS' EQUITY					
Current liabilities:					
Short-term debt	$ -	$ 150	$ -	$ -	$ 150
Current maturities of long-term debt	-	139	-	-	139
Accounts payable	-	1,021	80	-	1,101
Accrued expenses	5	890	88	(36)	947
Income taxes payable	-	244	23	(3)	264
Total current liabilities	5	2,444	191	(39)	2,601
Long-term debt	-	4,034	1	-	4,035
Intercompany note payable (receivable)	-	3,200	-	(3,200)	-
Deferred income taxes	-	646	64	-	710
Other liabilities	-	970	10	(473)	507
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	$11,514	$ 4,397	$ (8,063)	$12,001

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:					
Recurring	-	9,294	1,477	(1,331)	9,440

Restructuring markdowns	-	23	-	-	23
Selling, general, and administrative expenses	-	2,563	245	(36)	2,772
Restructuring costs	-	91	-	-	91
Interest expense (income), net:					
External	-	345	-	-	345
Intercompany	-	284	(284)	-	-
Equity in earnings of subsidiaries	(542)	-	-	542	-
Earnings (loss) before income taxes	542	378	427	(527)	820
Provision for income taxes	-	123	155	-	278
Net earnings (loss)	$ 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 (loss)	$ 542	$ 255	$ 272	$ (527)	$ 542
Equity in earnings of subsidiaries	(542)	-	-	542	-
Depreciation and amortization	-	522	35	-	557
(Increase) decrease in working capital	(1)	191	22	(1)	211
Other, net	(170)	428	(94)	(14)	150
Cash flows from (used for) operations	(171)	1,396	235	-	1,460
Investing activities:					
Net additions to property and equipment, and business combinations	-	(745)	(45)	-	(790)
Cash flows used for investing activities	-	(745)	(45)	-	(790)
Financing activities:					
Net short-term debt issuances	-	72	-	-	72
Net long-term debt repayments	-	(433)	(1)	-	(434)
Net issuances (repurchases) of common stock	(22)	8	-	-	(14)
Dividend payments	(294)	3	-	-	(291)
Intercompany activity, net	487	(300)	(187)	-	-
Cash flows from (used for) financing activities	171	(650)	(188)	-	(667)
Increase 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

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:					

Source: MAY DEPARTMENT STORE, 10-K, March 26, 2004

	Parent	Subsidiary Issuer	Other Subsidiaries	Eliminations	Consolidated
External	-	355	(1)	-	354
Intercompany	-	284	(284)	-	-
Equity in earnings of subsidiaries	(703)	-	-	703	-
Earnings (loss) before income taxes	703	700	423	(687)	1,139
Provision for income taxes	-	280	156	-	436
Net earnings (loss)	$ 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 (loss)	$ 703	$ 420	$ 267	$ (687)	$ 703
Equity in earnings of subsidiaries	(703)	-	-	703	-
Depreciation and amortization	-	536	23	-	559
(Increase) decrease in working capital	(1)	272	47	-	318
Other, net	193	8	(121)	(16)	64
Cash flows from operations	192	1,236	216	-	1,644
Investing activities:					
Net additions to property and equipment, and business combinations	-	(1,029)	(152)	-	(1,181)
Cash flows used for investing activities	-	(1,029)	(152)	-	(1,181)
Financing activities:					
Net short-term debt issuances	-	78	-	-	78
Net long-term debt issuances	-	74	(2)	-	72
Net issuances (repurchases) of common stock	(432)	12	-	-	(420)
Dividend payments	(300)	3	-	-	(297)
Intercompany activity, net	540	(475)	(65)	-	-
Cash flows used for financing activities	(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

SCHEDULE II

THE MAY DEPARTMENT STORES COMPANY AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

FOR THE THREE FISCAL YEARS ENDED JANUARY 31, 2004

(millions)

	Balance beginning of period	Charges to costs and expenses and other adjustments	Deductions (a)	Balance end of period
FISCAL YEAR ENDED				
January 31, 2004				
Allowance for uncollectible accounts	$ 112	$115	$(122)	$105

FISCAL YEAR ENDED February 1, 2003				
Allowance for uncollectible accounts	$ 90	$124	$(102)	$112
FISCAL YEAR ENDED February 2, 2002				
Allowance for uncollectible accounts	$ 76	$117	$(103)	$ 90

(a) Write-off of accounts determined to be uncollectible, net of recoveries of $24 million in 2003, $25 million in 2002, and $24 million in 2001.

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.

Item 9A - Disclosure Controls and Procedures.

As of the period covered by this annual report on Form 10-K, 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 III

Items 10, 11, 12, 13, 14. Directors and Executive Officers of May, Executive Compensation, Security Ownership of Certain Beneficial Owners and Management, Certain Relationships and Related Transactions, Principal Accounting Fees and Services

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, 13, and 14 (other than information about executive officers of May and its Code of Ethics) is incorporated by reference from the definitive proxy statement for the registrant's 2004 Annual Meeting of Shareowners to be filed with the commission pursuant to Regulation 14A. Information about executive officers of May and May's Code of Ethics is set forth in Part I of this Form 10-K, under the heading "Items 1. and 2. Business and Description of Property."

PART IV

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

(a) Documents filed as part of this report:

(1) Financial Statements.	Page in this Report
Report of Deloitte & Touche LLP, Independent Auditors	18-19
Report of Arthur Andersen LLP, Independent Auditors	19-20
Consolidated Statements of Earnings for the three fiscal years ended January 31, 2004	21
Consolidated Balance Sheets as of January 31, 2004, and February 1, 2003	22
Consolidated Statements of Cash Flows for the three fiscal years ended January 31, 2004	23
Consolidated Statements of Shareowners'	

Source: MAY DEPARTMENT STORE, 10-K, March 26, 2004

Equity for the three fiscal years ended January 31, 2004	24
Notes to Consolidated Financial Statements	25-46

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 January 31, 2004):	
Schedule II Valuation and Qualifying Accounts	47

(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 the Definitive Exhibit 10.1 of Form 10-K,filed April 19, 2000.
10.2 Deferred Compensation Plan	Incorporated by Reference to the Definitive Exhibit 10.1 of Form 10-K,filed April 19, 2000.

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 the Definitive Proxy Statement for the 2004 Annual Meeting of Shareowners.
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.
31.1	Certification Pursuant to Exchange Act 13a-15 and 15d-15(e)	Filed herewith.
31.2	Certification Pursuant to Exchange Act 13a-15 and 15d-15(e)	Filed herewith.
32	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350, as adopted)	Filed herewith.

(b) Reports on Form 8-K

A report dated February 12, 2004, which furnished a company press release announcing its financial results for the 13 and 52 weeks ended January 31, 2004.

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 26, 2004

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 26, 2004	/s/ Eugene S. Kahn Eugene S. Kahn	Director, Chairman of the Board and Chief Executive Officer
	Principal Financial and Accounting Officer:	
March 26, 2004	/s/ Thomas D. Fingleton Thomas D. Fingleton	Executive Vice President and Chief Financial Officer
	Directors:	
March 26, 2004	/s/ John L. Dunham John L. Dunham	Director and President
March 26, 2004	/s/ R. Dean Wolfe R. Dean Wolfe	Director and Executive Vice President
March 26, 2004	/s/ Marsha J. Evans Marsha J. Evans	Director
March 26, 2004	/s/ James M. Kilts James M. Kilts	Director
March 26, 2004	/s/ Russell E. Palmer Russell E. Palmer	Director
March 26, 2004	/s/ Michael R. Quinlan Michael R. Quinlan	Director

Source: MAY DEPARTMENT STORE, 10-K, March 26, 2004

March 26, 2004 /s/ Joyce M. Roche' Director
Joyce M. Roche'

Exhibit 12

THE MAY DEPARTMENT STORES COMPANY AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
FOR THE FIVE FISCAL YEARS ENDED JANUARY 31, 2004

(Dollars in Millions)	Fiscal Year Ended				
	Jan. 31, 2004	Feb. 1, 2003	Feb. 2, 2002	Feb. 3, 2001	Jan 29, 2000
Earnings Available for Fixed Charges:					
Pretax earnings	$ 639	$ 820	$1,139	$1,402	$1,523
Fixed charges (excluding interest capitalized and pretax preferred stock dividend requirements)	367	405	411	406	346
Dividends on ESOP preference shares	(18)	(20)	(22)	(23)	(24)
Capitalized interest amortization	10	9	8	8	7
	998	1,214	1,536	1,793	1,852
Fixed Charges:					
Gross interest expense (a)	$ 345	$ 392	$ 401	$ 395	$ 340
Interest factor attributable to rent expense	38	36	32	28	22
	383	428	433	423	362
Ratio of Earnings to Fixed Charges	2.6	2.8	3.5	4.2	5.1

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

Exhibit 21

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

Source: MAY DEPARTMENT STORE, 10-K, March 26, 2004

Exhibit 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements Nos. 33-42940 and 333-42940-01 of The May Department Stores Company on Form S-3 and Registration Statements Nos. 333-59792, 333-76227, 333-00957, 333-103352 and 333-111987 of The May Department Stores Company on Form S-8 of our report dated March 19, 2004, relating to the consolidated financial statements of The May Department Stores Company and subsidiaries as of and for the years ended January 31, 2004 and 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 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 January 31, 2004.

/s/Deloitte & Touche LLP

St. Louis, Missouri
March 25, 2004

Exhibit 31.1

CERTIFICATION

I, Eugene S. Kahn, 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 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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-15(e) and 15d-15(e)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

    b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's

board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 26, 2004

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

Exhibit 31.2

CERTIFICATION

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 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 26, 2004

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

Exhibit 32

CERTIFICATION PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. Section 1350, as adopted)

In connection with the Annual Report of The May Department Stores Company (the "Company") on Form 10-K for the period ending January 31, 2004, 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. Section 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 26, 2004

/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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