UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended November 1, 2003

OR

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

For the transition period from __________________ to __________________

Commission file number 0-3747

THE CATO CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	56-0484485
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)

8100 Denmark Road, Charlotte, North Carolina 28273-5975
(Address of principal executive offices)
(Zip Code)

(704) 554-8510
(Registrant’s telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Yes _X_ No ___

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 126-2 of the Act).

Yes _X_ No ___

As of November 18, 2003, there were 20,001,167 shares of Class A common stock and 500,350 shares of Class B common stock outstanding.

THE CATO CORPORATION

FORM 10-Q

November 1, 2003

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PART I FINANCIAL INFORMATION

THE CATO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended		Nine Months Ended	
	November 1, 2003 (Unaudited)	November 2, 2002 (Unaudited)	**November 1, 2003 (Unaudited)**	November 2, 2002 (Unaudited)
	(Dollars in thousands, except per share data)			
REVENUES				
Retail sales	**$153,171**	$158,217	**$538,693**	$541,734
Other income (principally finance, late, and layaway charges)	**3,958**	4,011	**11,639**	11,700
Total revenues	**157,129**	162,228	**550,332**	553,434
COSTS AND EXPENSES, NET				
Cost of goods sold	**108,557**	110,188	**368,171**	360,502
Selling, general and administrative	**42,809**	40,533	**130,819**	129,976
Depreciation	**4,713**	4,143	**13,726**	10,505
Interest and other income, net	**(201)**	(1,143)	**(3,216)**	(3,952)
Costs and expenses, net	**155,878**	153,721	**509,500**	497,031
INCOME BEFORE INCOME TAXES	**1,251**	8,507	**40,832**	56,403
Income tax expense	**454**	3,080	**14,822**	20,418
NET INCOME	**$ 797**	$ 5,427	**$ 26,010**	$ 35,985
BASIC EARNINGS PER SHARE	**$ .04**	$ .21	**$ 1.08**	$ 1.41
DILUTED EARNINGS PER SHARE	**$ .04**	$ .21	**$ 1.06**	$ 1.39
DIVIDENDS PER SHARE	**$ .16**	$ .15	**$ .47**	$ .435

See accompanying notes to condensed consolidated financial statements.

THE CATO CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	November 1, 2003 (Unaudited)	November 2, 2002 (Unaudited)	February 1, 2003
		(Dollars in thousands)	
ASSETS			
Current Assets			
Cash and cash equivalents	**$ 17,086**	$ 49,528	$ 32,065
Short-term investments	**40,036**	54,627	74,871
Accounts receivable — net	**51,178**	52,303	54,116
Merchandise inventories	**101,874**	104,775	93,457
Deferred income taxes	**1,631**	1,069	1,392
Prepaid expenses	**5,671**	5,020	4,990
Total Current Assets	**217,476**	267,322	260,891
Property and equipment — net	**114,677**	111,351	113,307
Other assets	**9,578**	9,144	9,212
Total	**$ 341,731**	$387,817	$383,410
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable	**$ 71,947**	$ 77,240	$ 66,620
Accrued expenses	**29,218**	30,584	28,776
Income taxes	**5,004**	6,011	2,886
Current portion of long-term debt	**6,000**	—	—
Total Current Liabilities	**112,169**	113,835	98,282
Deferred income taxes	**6,310**	5,177	6,310
Long term debt	**23,000**	—	—
Other noncurrent liabilities	**10,815**	8,412	8,654
Commitments and contingencies			
Shareholders' Equity:			
Preferred stock, $100 par value per share, 100,000 shares authorized, none issued	**—**	—	—
Class A common stock, $.033 par value per share, 50,000,000 shares authorized; issued 25,907,346 shares, 25,188,736 shares and 25,218,678 shares at November 1, 2003, November 2, 2002, and February 1, 2003, respectively	**863**	840	840
Convertible Class B common stock, $.033 par value per share, 15,000,000 shares authorized; issued 5,637,834 shares, 6,085,149 shares and 6,085,149 shares at November 1, 2003, November 2, 2002 and February 1, 2003, respectively	**188**	203	203
Additional paid-in capital	**97,476**	92,741	94,947
Retained earnings	**250,754**	229,889	235,904
Accumulated other comprehensive gains (losses)	**(168)**	(1,053)	253
Unearned compensation – restricted stock awards	**(1,764)**	(2,619)	(2,375)
	347,349	320,001	329,772
Less Class A and Class B common stock in treasury, at cost (5,906,179 Class A and 5,137,484 Class B shares at November 1, 2003, 5,741,179 Class A and 0 Class B shares at November 2, 2002, and at February 1, 2003, respectively)	**(157,912)**	(59,608)	(59,608)
Total Shareholders' Equity	**189,437**	260,393	270,164
Total	**$ 341,731**	$387,817	$383,410

See accompanying notes to condensed consolidated financial statements.

THE CATO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended	
	November 1, 2003 (Unaudited)	November 2, 2002 (Unaudited)
	(Dollars in thousands)	
OPERATING ACTIVITIES		
Net income	**$ 26,010**	$ 35,985
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**13,726**	10,505
Amortization of investment premiums	**4**	64
Compensation expense related to restricted stock awards	**611**	506
Loss on disposal of property and equipment	**277**	406
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	**2,938**	(9)
Merchandise inventories	**(8,417)**	(24,368)
Other assets	**(1,047)**	(432)
Accounts payable and other liabilities	**7,690**	24,598
Accrued income taxes	**2,118**	5,191
Net cash provided by operating activities	**43,910**	52,446
INVESTING ACTIVITIES		
Expenditures for property and equipment	**(15,373)**	(22,125)
Purchases of short-term investments	**(11,034)**	(25,520)
Sales of short-term investments	**45,444**	13,265
Net cash provided (used) in investing activities	**19,037**	(34,380)
FINANCING ACTIVITIES		
Dividends paid	**(11,159)**	(11,057)
Purchases of treasury stock	**(98,304)**	(1,187)
Proceeds of long term debt	**30,000**	—
Payments to settle long term debt	**(1,000)**	—
Proceeds from employee stock purchase plan	**491**	496
Proceeds from stock options exercised	**2,046**	1,438
Net cash (used) in financing activities	**(77,926)**	(10,310)
Net increase (decrease) in cash and cash equivalents	**(14,979)**	7,756
Cash and cash equivalents at beginning of period	**32,065**	41,772
Cash and cash equivalents at end of period	**$ 17,086**	$ 49,528

See accompanying notes to condensed consolidated financial statements.

THE CATO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS ENDED NOVEMBER 1, 2003
AND NOVEMBER 2, 2002

NOTE 1 — GENERAL:

The condensed consolidated financial statements have been prepared from the accounting records of The Cato Corporation and its wholly-owned subsidiaries (the “Company”), and all amounts shown as of and for the periods ended November 1, 2003 and November 2, 2002 are unaudited. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) considered necessary for a fair presentation have been included. The results of the interim period may not be indicative of the entire year.

The interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto, included in the Company’s Annual Report on Form 10-K for the fiscal year ended February 1, 2003.

Cash equivalents consist of highly liquid investments with original maturities of three months or less. Investments with original maturities beyond three months are classified as short-term investments. The fair values of short-term investments are based on quoted market prices.

The Company’s short-term investments are classified as available-for-sale. As they are available for current operations, they are classified in the Condensed Consolidated Balance Sheets as current assets. Available-for-sale securities are carried at fair value, with unrealized gains and temporary losses, net of income taxes, reported as a component of accumulated other comprehensive income. Other than temporary declines in fair value of investments are recorded as a reduction in the cost of the investments in the accompanying Condensed Consolidated Balance Sheets and a reduction of interest and other income, net in the accompanying Statements of Consolidated Income. The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. The amortization of premiums, accretion of discounts and realized gains and losses are included in other income.

Total comprehensive income for the third quarter and nine months ended November 1, 2003 was $619,000 and $25,589,000, respectively. Total comprehensive income for the third quarter and nine months ended November 2, 2002 was $5,275,000 and $35,499,000, respectively. Total comprehensive income is composed of net income and net unrealized gains and losses on available-for-sale securities.

Merchandise inventories are stated at the lower of cost (first-in, first-out method) or market as determined by the retail inventory method.

For the nine months ended November 1, 2003, the Company repurchased 165,000 shares of Class A Common Stock for $2,740,619, or an average market price of $16.61 per share and 5,137,484 of Class B Common Stock for $95,563,454, or an average market price of $18.60 per share.

THE CATO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS ENDED NOVEMBER 1, 2003
AND NOVEMBER 2, 2002

NOTE 1 — GENERAL (CONTINUED):

For the nine months ended November 2, 2002, the Company repurchased and accepted a combined total of 114,681 mature shares of Class A Common Stock for $2,331,187, or an average market price of $20.33 per share. In the third quarter of fiscal 2002, the Company repurchased 4,100 shares of Class A Common Stock for $70,923, or an average market price of $17.30 per share.

In May 2003, the Board of Directors increased the quarterly dividend by 7% from $.15 per share to $.16 per share.

On August 22, 2003, the Company repurchased 5,137,484 shares of Class B Common Stock from a limited partnership and trust affiliated with Wayland H. Cato, Jr., a Company founder and Chairman of the Board and a limited partnership affiliated with Edgar T. Cato, a Company founder and a member of the Board of Directors. Shares were purchased at $18.50 per share (a 10% discount to the closing price the day prior to the announced agreement) for a total cost of $95,043,454. Including related expenses of $520,000 for investment banking and related professional fees, the total cost was $95,563,454 or an average purchase price of $18.60 per share. The repurchase was funded by the Company through a new $30 million five-year term loan facility and approximately $65 million of cash and liquidated short-term investments. Payments on the new term loan are due in monthly installments of $500,000 plus accrued interest. Interest is based on LIBOR. The interest rate at November 1, 2003 was 2.27%.

On August 29, 2003, the Company entered into retirement agreements with Mr. Wayland H. Cato, Jr., a Company founder and Chairman of the Board and Mr. Edgar T. Cato, a Company founder and a member of the Board of Directors. The agreements provided for the retirement of Mr. Wayland Cato and Mr. Edgar Cato from the Company and the Board of Directors effective January 31, 2004. Mr. Wayland Cato will be available to the Company for consulting services following his retirement. In the third quarter of fiscal 2003, the Company recognized an expense of $2.8 million representing the present value of certain payments and benefits under the terms of the agreements. The after-tax charge was $1.8 million or $.08 per diluted share for the third quarter and $.07 per diluted share for the nine months.

The provisions for income taxes are based on the Company’s estimated annual effective tax rate. As allowed by SFAS No. 109, “Accounting for Income Taxes”, deferred income taxes are calculated annually.

Certain reclassifications have been made to the condensed consolidated financial statements for prior periods to conform to the current period presentation.

THE CATO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS ENDED NOVEMBER 1, 2003
AND NOVEMBER 2, 2002

NOTE 2 – RECENT ACCOUNTING PRONOUNCEMENTS:

On December 31, 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure". SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation", to provide for alternative methods of transition to SFAS No. 123's fair value method of accounting for stock-based employee compensation. SFAS No. 148 also amends the disclosure provisions of SFAS No. 123 and APB Opinion No. 28, "Interim Financial Reporting", to require disclosure in the summary of significant policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per-share in annual and interim financial statements. While SFAS No. 148 does not amend SFAS No. 123 to require companies to account for employee stock options using the fair value method, the disclosure provisions of SFAS No. 148 are applicable to all companies with stock-based compensation, regardless of whether they account for that compensation using the fair value method of SFAS No. 123 or the intrinsic value method of APB Opinion No. 25, "Accounting for Stock Issued to Employees". SFAS No. 148's amendment of the transition and the annual and interim disclosure requirements of SFAS No. 123 are effective for fiscal years ending after December 15, 2002.

The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations in accounting for its stock option plans. Accordingly, no compensation expense has been recognized for stock-based compensation where the option price of the stock approximated the fair market value of the stock on the date of grant. Had compensation expense for the stock options granted been determined consistent with SFAS No. 123, the Company's net income and basic and diluted earnings per share amounts for the three months ended November 1, 2003 and November 2, 2002 and for the nine months ended November 1, 2003 and November 2, 2002 would approximate the following proforma amounts (dollars in thousands, except per share data):

	Three Months Ended		Nine Months Ended	
	November 1, 2003	November 2, 2002	**November 1, 2003**	November 2, 2002
Net income – as reported	**$ 797**	$5,427	**$26,010**	$35,985
* Pro forma stock-based compensation cost	**(130)**	(179)	**(395)**	(571)
Net income – pro forma	**$ 667**	$5,248	**$25,615**	$35,414
Net income per share as reported:				
Basic earnings per share	**$ .04**	$ .21	**$ 1.08**	$ 1.41
Diluted earnings per share	**$ .04**	$ .21	**$ 1.06**	$ 1.39
Net income per share-pro forma				
Basic earnings per share	**$ .03**	$ .21	**$ 1.06**	$ 1.39
Diluted earnings per share	**$ .03**	$ .20	**$ 1.04**	$ 1.37

* determined using fair value method

THE CATO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS ENDED NOVEMBER 1, 2003
AND NOVEMBER 2, 2002

NOTE 2 – RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED):

In January 2003, the FASB issued Interpretation No. 46 “Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements”. This interpretation applies immediately to variable interest entities created after January 31, 2003 and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest it acquired before February 1, 2003. This interpretation may be applied prospectively with a cumulative-effect adjustment as of the date on which it is first applied or by restating previously issued financial statements for one or more years with a cumulative-effect adjustment as of the beginning of the first year restated. The implementation of this interpretation had no effect on the Company’s financial position or results of operations.

In May 2003, the FASB issued Statement No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity” (“SFAS 150”). SFAS 150 changes the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The new Statement requires that those instruments be classified as liabilities in statements of financial position. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and for all other instruments for interim periods beginning after June 15, 2003. The Company does not expect the provisions of SFAS 150 to have a material impact on our financial position or results of operations.

NOTE 3 — EARNINGS PER SHARE:

Earnings per share is calculated by dividing net income by the weighted-average number of Class A and Class B common shares outstanding during the respective periods. The weighted-average shares outstanding is used in the basic earnings per share calculation, while the weighted-average shares and common stock equivalents outstanding are used in the diluted earnings per share calculation.

	Three Months Ended		**Nine Months Ended**	
	November 1, 2003	November 2, 2002	**November 1, 2003**	November 2, 2002
Weighted-average shares outstanding	**21,499,411**	25,516,334	**24,138,935**	25,437,165
Dilutive effect of stock options	**424,722**	376,203	**409,442**	498,484
Weighted-average shares and common stock equivalents (stock options) outstanding	**21,924,133**	25,892,537	**24,548,377**	25,935,649

THE CATO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS ENDED NOVEMBER 1, 2003
AND NOVEMBER 2, 2002

NOTE 4 — SUPPLEMENTAL CASH FLOW INFORMATION:

Income tax payments, net of refunds received, for the nine months ended November 1, 2003 and November 2, 2002 were $12,561,650 and $15,231,400, respectively.

NOTE 5 — FINANCING ARRANGEMENTS:

On August 22, 2003, the Company entered into a new $30 million five-year term loan facility, the proceeds of which were used to purchase Class B Common Stock from the Company's founders. Payments are due in monthly installments of $500,000 plus accrued interest. Interest is based on LIBOR. The interest rate at November 1, 2003 was 2.27%.

On August 22, 2003, the Company entered into a new revolving credit agreement which provides for borrowings of up to $35 million. The revolving credit agreement is committed until August 22, 2006, unless extended. This agreement replaces a prior revolving credit agreement which was due to expire on October 31, 2004. The credit agreement contains various financial covenants and limitations, including the maintenance of specific financial ratios with which the Company was in compliance as of November 1, 2003. There were no borrowings outstanding under these credit facilities during the nine months ended November 1, 2003 or the fiscal year ended February 1, 2003. Interest is based on LIBOR. The interest rate at November 1, 2003 was 2.27%.

NOTE 6 – REPORTABLE SEGMENT INFORMATION:

The Company has two reportable segments: retail and credit. The following schedule summarizes certain segment information (in thousands):

	Three Months Ended		Nine Months Ended	
	November 1, 2003	November 2, 2002	**November 1, 2003**	November 2, 2002
Revenues:				
Retail	**$153,510**	$158,732	**$539,523**	$543,192
Credit	**3,619**	3,496	**10,809**	10,242
Total	**$157,129**	$162,228	**$550,332**	$553,434
Income before income taxes:				
Retail	**$ (143)**	$ 7,079	**$ 37,399**	$ 52,322
Credit	**1,394**	1,428	**3,433**	4,081
Total	**$ 1,251**	$ 8,507	**$ 40,832**	$ 56,403

NOTE 6 – REPORTABLE SEGMENT INFORMATION (CONTINUED):

Income before income taxes for the three months and nine months ended November 1, 2003 included $2.8 million for certain retirement costs (Note 1) which have been allocated to the retail segment above.

THE CATO CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS:

The following table sets forth, for the periods indicated, certain items in the Company's unaudited Condensed Consolidated Statements of Income as a percentage of total retail sales:

	Three Months Ended		Nine Months Ended	
	November 1, 2003	November 2, 2002	**November 1, 2003**	November 2, 2002
Total retail sales	**100.0**%	100.0%	**100.0%**	100.0%
Total revenues	**102.6**	102.6	**102.2**	102.2
Cost of goods sold	**70.9**	69.7	**68.3**	66.6
Selling, general and administrative	**27.9**	25.6	**24.3**	24.0
Depreciation	**3.1**	2.6	**2.6**	1.9
Interest and other, net	**(0.1**)	(0.7)	**(0.6**)	(0.7)
Income before income taxes	**0.8**	5.4	**7.6**	10.4
Net income	**0.5**	3.4	**4.8**	6.6

Comparison of Third Quarter and First Nine Months of 2003 with 2002.

Total retail sales for the third quarter were $153.2 million compared to last year's third quarter sales of $158.2 million, a 3% decrease. Same-store sales decreased 10% in the third quarter of fiscal 2003. For the nine months ended November 1, 2003, total retail sales were $538.7 million compared to last year's first nine months sales of $541.7 million, a 1% decrease, and same-store sales decreased 8% for the comparable nine month period. The decrease in sales for the first nine months of 2003 was due to a lower average retail sale and lower average transactions per store as a result of the continued difficult economic conditions. The Company operated 1,082 stores at November 1, 2003 compared to 992 stores at the end of last year's third quarter.

Other income for the third quarter of 2003 decreased 1% over the prior year's comparable period. The decrease in the third quarter resulted primarily from decreased layaway fees. Other income for the first nine months of 2003 was virtually equivalent to the comparable nine month period last year.

Cost of goods sold were 70.9% and 68.3% of total retail sales for the third quarter and first nine months of 2003, respectively, compared to 69.7% and 66.6% for prior year's comparable three and nine month periods, respectively. The increase in cost of goods sold as a percent of retail sales for the first nine months of 2003 resulted primarily from lower than planned sales and additional markdowns taken to bring inventory levels in line with sales trends.

Selling, general and administrative (SG&A) expenses were $42.8 million, or 27.9% and $130.8 million, or 24.3% for the third quarter and first nine months of this year, compared to $40.5

RESULTS OF OPERATIONS – (CONTINUED):

million, or 25.6% and $130.0 million, or 24.0% of retail sales for prior year’s comparable three and nine month periods, respectively. SG&A expenses as a percentage of retail sales increased 230 basis points for the third quarter of 2003 as compared to the prior year and increased 30 basis points for the first nine months of 2003, as compared to the prior year. The overall increase in SG&A expenses for the third quarter and first nine months of 2003 results primarily from $2.8 million costs related to the retirement agreements with the Company’s founders, partially offset by reduced incentive-based performance bonus programs.

Depreciation expense was $4.7 million, or 3.1% and $13.7 million or 2.6% of retail sales, for the third quarter and first nine months of fiscal 2003, compared to $4.1 million, or 2.6% and $10.5 million, or 1.9% of retail sales, for prior year’s comparable three and nine month periods, respectively. The increase resulted primarily from the Company’s new store development and depreciation of the Company’s enterprise-wide information system which was implemented in August 2002.

Income tax expense was $.5 million, or .3% and $14.8 million, or 2.8% of retail sales, for the third quarter and first nine months of fiscal 2003, compared to $3.1 million, or 2.0% and $20.4 million, or 3.8% of retail sales, for the prior year’s comparable three and nine month periods. The decrease resulted from lower pre-tax income.

CRITICAL ACCOUNTING POLICIES:

The preparation of the Company’s financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgement. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements. The most significant accounting estimates inherent in the preparation of the Company’s financial statements include the allowance for doubtful accounts receivable, reserves relating to workers’ compensation, general and auto insurance liabilities and reserves for inventory markdowns.

The Company evaluates the collectibility of accounts receivable and records allowances for doubtful accounts based on estimates of actual write-offs and the relative age of accounts. The Company’s self-insurance liabilities related to worker’s compensation, general and auto insurance liabilities are based on estimated costs of claims filed and claims incurred but not reported and data provided by outside actuaries. Merchandise inventories are stated at the lower of cost (first-in, first-out method) or market as determined by the retail method. Management makes estimates regarding markdowns based on customer demand which can impact inventory valuations. Historically, actual results have not significantly deviated from those determined using the estimates described above.

THE CATO CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

STOCK OPTIONS:

The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations in accounting for its stock option plans. Accordingly, no compensation expense has been recognized for stock-based compensation where the option price of the stock approximated the fair market value of the stock on the date of grant. Had compensation expense for the stock options granted been determined consistent with SFAS No. 123, the Company's net income and basic and diluted earnings per share amounts for the three months ended November 1, 2003 and November 2, 2002 and for the nine months ended November 1, 2003 and November 2, 2002 would approximate the following proforma amounts (dollars in thousands, except per share data):

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*Pro forma stock-based compensation cost	**(130)**	(179)	**(395)**	(571)
Net income – pro forma	**$ 667**	$5,248	**$25,615**	$35,414
Net income per share as reported:				
Basic earnings per share	**$ .04**	$ .21	**$ 1.08**	$ 1.41
Diluted earnings per share	**$ .04**	$ .21	**$ 1.06**	$ 1.39
Net income per share-pro forma				
Basic earnings per share	**$ .03**	$ .21	**$ 1.06**	$ 1.39
Diluted earnings per share	**$ .03**	$ .20	**$ 1.04**	$ 1.37

*determined using fair value method

LIQUIDITY AND CAPITAL RESOURCES:

At November 1, 2003, the Company had working capital of $105.3 million, compared to $153.5 million at November 2, 2002 and $162.6 million at February 1, 2003. Cash provided by operating activities was $43.9 million for the nine months ended November 1, 2003, compared to $52.4 million for last year's comparable nine month period. The decrease in net cash provided by operating activities resulted primarily from a decrease in net income, payments related to accounts payable and other liabilities made prior to the end of third quarter of 2003 versus after the end of third quarter 2002 partially offset by a decrease in inventories. At November 1, 2003, the Company had cash, cash equivalents, and short-term investments of $57.1 million, compared to $104.2 million at November 2, 2002 and $106.9 million at February 1, 2003. The reduction in cash, cash equivalents, and short-term investments was primarily due to the repurchase of stock from the Company's founders, partially funded by approximately $65 million of cash and liquidated short-term investments.

Net cash provided in investing activities totaled $19.0 million for the first nine months of 2003 compared to $34.4 million used for the comparable period of 2002. Cash was provided by the sale of

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED):

short-term investments partially offset by funding of capital expenditures for new, relocated and remodeled stores and for investments in technology.

Expenditures for property and equipment totaled $15.4 million for the nine months ended November 1, 2003, compared to $22.1 million of expenditures in last year's first nine months. The Company expects total capital expenditures to be approximately $27 million for the current fiscal year. The Company intends to open approximately 87 new stores, relocate 24 stores, and close 6 stores during the current fiscal year. For the nine months ended November 1, 2003, the Company had opened 61 new stores, relocated 18 stores, and closed one store.

Net cash used in financing activities totaled $77.9 million for the first nine months of 2003 compared to $10.3 million for the comparable period of 2002. The increase was due primarily to the repurchase of stock from the Company's founders partially offset by a new $30 million five-year term loan facility.

In May 2003, the Board of Directors increased the quarterly dividend by 7% from $.15 per share to $.16 per share.

On August 22, 2003, the Company entered into a new $30 million five-year term loan facility, the proceeds of which were used to purchase Class B Common Stock from the Company's founders. Payments are due in monthly installments of $500,000 plus accrued interest. Interest is based on LIBOR and was 2.27% at November 1, 2003.

On August 22, 2003, the Company entered into a new revolving credit agreement which provides for borrowings of up to $35 million. The revolving credit agreement is committed until August 22, 2006, unless extended. This agreement replaces a prior revolving credit agreement which was due to expire on October 31, 2004. The credit agreement contains various financial covenants and limitations, including the maintenance of specific financial ratios with which the Company was in compliance as of November 1, 2003. There were no borrowings outstanding under these credit facilities during the nine months ended November 1, 2003 or the fiscal year ended February 1, 2003.

The Company does not use derivative financial instruments. At November 1, 2003, November 2, 2002, and February 1, 2003, the Company's investment portfolio was primarily invested in governmental debt securities with maturities of up to 36 months. These securities are classified as available-for-sale, and are recorded on the balance sheet at fair value with unrealized gains and losses reported as accumulated other comprehensive gains or losses, net of applicable deferred taxes.

The Company believes that its cash, cash equivalents and short-term investments, together with cash flow from operations and borrowings available under its revolving credit agreement, will be adequate to fund the Company's proposed capital expenditures and other operating requirements during fiscal 2003 and the foreseeable future.

FORWARD LOOKING STATEMENTS:

Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical facts included in this Form 10-Q including statements regarding the Company's expected capital expenditures, intended store openings, closures and relocations and expected adequacy of liquidity during the current fiscal year and for the foreseeable future, are forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements involve risks and uncertainties that could cause the Company's actual results to differ materially depending on a variety of important factors, including, but not limited to the following: general economic conditions; competitive factors and pricing pressures; the Company's ability to predict fashion trends; consumer apparel buying patterns; adverse weather conditions and inventory risks due to shifts in market demand. The Company does not undertake to publicly update or revise the forward-looking statements even if experience or future changes make it clear that the projected results expressed or implied therein will not be realized.

THE CATO CORPORATION
CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES:

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Company is recorded, processed, summarized, and reported within the time periods specified in the appropriate rules and forms of the Securities and Exchange Commission and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer. The Company's Chief Executive Officer and Chief Financial Officer have evaluated the Company's disclosure controls and procedures as of November 1, 2003. Each has concluded that these controls and procedures are effective.

CHANGES IN INTERNAL CONTROLS:

There have been no changes in the Company's internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

THE CATO CORPORATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A)

Exhibit No.	ITEM
None	None

(B) Form 8-K was furnished on August 20, 2003 disclosing the August 19, 2003 Press Release regarding the Company’s financial results for the second quarter of 2003.

Form 8-K was filed on September 23, 2003 as amended by Form 8-K/A filed October 6, 2003, to report that the Company dismissed Deloitte & Touche LLP as its principal independent accountants from the engagement to perform the audit of the financial statements of the Company for the fiscal year ending January 31, 2004 and engaged the accounting firm of PricewaterhouseCoopers LLP as independent accountants to audit the Company’s financial statements for the fiscal year ending January 31, 2004.

PART II OTHER INFORMATION (CONTINUED):

THE CATO CORPORATION

SIGNATURES PAGE AND CERTIFICATES

PART II OTHER INFORMATION (CONTINUED):

THE CATO CORPORATION

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

	THE CATO CORPORATION
December 15, 2003	/s/ John P. Derham Cato
Date	John P. Derham Cato President, Vice Chairman of the Board and Chief Executive Officer
December 15, 2003	/s/ Michael O. Moore
Date	Michael O. Moore Executive Vice President Chief Financial Officer and Secretary
December 15, 2003	/s/ Robert M. Sandler
Date	Robert M. Sandler Senior Vice President Controller

EXHIBIT 31.1

CERTIFICATION

I, John P. Derham Cato, President, Vice Chairman of the Board and Chief Executive Officer of The Cato Corporation, certify that:

1. I have reviewed this report on Form 10-Q of The Cato Corporation;

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 officers 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 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: December 15, 2003

/s/ John P. Derham Cato

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John P. Derham Cato
President, Vice Chairman of the Board
and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Michael O. Moore, Executive Vice President, Chief Financial Officer and Secretary of The Cato Corporation, certify that:

1. I have reviewed this report on Form 10-Q of The Cato Corporation;

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 officers 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 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: December 15, 2003

/s/ Michael O. Moore

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Michael O. Moore
Executive Vice President
Chief Financial Officer and Secretary

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The Cato Corporation (the "Company") on Form 10-Q for the quarter ended November 1, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John P. Derham Cato, President, Vice Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. sec. 1350 as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that (1) The Report fully complies with the requirements of section 13(a) or 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 result of operations of the Company.

Date: December 15, 2003

/s/ John P. Derham Cato
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John P. Derham Cato
President, Vice Chairman of the Board
and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to The Cato Corporation and will be retained by The Cato Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The Cato Corporation (the "Company") on Form 10-Q for the quarter ended November 1, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael O. Moore, Executive Vice President, Chief Financial Officer and Secretary of the Company, certify, pursuant to 18 U.S.C. sec. 1350 as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that (1) The Report fully complies with the requirements of section 13(a) or 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 result of operations of the Company.

Date: December 15, 2003

/s/ Michael O. Moore
- --
Michael O. Moore
Executive Vice President
Chief Financial Officer and Secretary

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to The Cato Corporation and will be retained by The Cato Corporation and furnished to the Securities and Exchange Commission or its staff upon request.