



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

450 Fifth Street NW  
Washington, D.C. 29549

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**Form 8-K**

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CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): August 19, 2003

**THE CATO CORPORATION**

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(Exact Name of Registrant as Specified in its Charter)

Delaware

0-3747

56-0484485

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(State or Other Jurisdiction  
of Incorporation)

(Commission  
File Number)

(I.R.S. Employer  
Identification Number)

8100 Denmark Road, Charlotte, North Carolina

28273-5975

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(Address of Principal Executive Offices)

(Zip Code)

(704) 554-8510

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(Registrant's telephone number, including area code)

Not Applicable

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(Former Name or Former Address, if changed since last report)

THE CATO CORPORATION

Item 7. Financial Statements and Exhibits.

(c) The following exhibit is filed as part of this report.

Exhibit 99.1 – Press Released issued August 19, 2003

Item 9. Regulation FD Disclosure; and

Item 12. Results of Operations and Financial Condition.

On August 19, 2003, The Cato Corporation issued a press release regarding its financial results for the second quarter of 2003. A copy of this press release is attached hereto as Exhibit 99.1 and incorporated by reference herein. The information is being furnished in this report (including Exhibit 99.1) is not deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934 and is not incorporated by reference into any filing under the Securities Act of 1933.

SIGNATURES

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 hereunto duly authorized.

THE CATO CORPORATION

August 20, 2003

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Date

/s/ John P. Derham Cato

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

August 20, 2003

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Date

/s/ Michael O. Moore

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

Exhibit Index

<b>Exhibit</b>	<b>Exhibit No.</b>
Press Release issued August 19, 2003	99.1

[CATO LOGO]

**The CATO Corporation**

**NEWS RELEASE**

**FOR IMMEDIATE RELEASE**

**CEO Approval \_\_\_\_\_**

For Further Information Contact:

Michael O. Moore  
Executive Vice President  
Chief Financial Officer  
704-551-7201

**CATO REPORTS 2Q EARNINGS  
Provides 2nd Half Guidance**

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Charlotte, N.C. (August 19, 2003) – The Cato Corporation (NYSE: CTR) today reported net income of \$7.7 million or \$.30 per diluted share for the second quarter ended August 2, 2003, compared to net income of \$12.3 million or \$.47 per diluted share for the second quarter ended August 3, 2002. Net income decreased 37% and earnings per diluted share decreased 36% from last year. Sales for the second quarter were \$188.2 million, an increase of 1% over sales of \$186.9 million last year. The Company’s second quarter comparable store sales decreased 7%.

For the six months ended August 2, 2003, the Company earned net income of \$25.2 million or \$.98 per diluted share, compared with net income of \$30.6 million or \$1.18 per diluted share for the six months ended August 3, 2002, a net income decrease of 18% and a per diluted share decrease of 17%. Sales were \$385.5 million for the first half of 2003, a 1% increase over sales of \$383.5 million last year. Comparable store sales decreased 7% for the first half.

“Second quarter results were unfavorably impacted by lower than planned sales and additional markdowns taken to bring inventory levels in line with current sales trends”, said John Cato, President, Vice Chairman and Chief Executive Officer.

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During the first half, the Company opened 29 stores and relocated 12 stores. The Company is moving forward with its plan to open 90 new stores for the year.

On July 22, the Company announced its intention to repurchase approximately 5.1 million Class B shares from affiliates of the Company's founders for \$18.50 per share, or a total purchase price of \$95 million. The Company intends to fund the transaction with a combination of \$65 million of cash and a new \$30 million five year term loan. The transaction is expected to close on August 22.

As previously reported, the Compensation Committee of the Board of Directors is in discussions with the Company's founders regarding their retirement. These discussions are not related to the stock repurchase and have not yet been completed. However, the Company expects to reach an agreement with each of them in the third quarter. If so, the Company expects to take a charge in the third quarter related to the retirement agreements.

If current sales trends continue through the second half, the Company projects second half operating results to be below last year in the range of 25% to 30%. In addition, the Company expects second half net income and earnings per diluted share to be affected by the share repurchase and retirement agreements.

The Cato Corporation is a leading specialty retailer of value-priced women's fashion apparel operating two divisions, "Cato" and "It's Fashion!". The Company primarily offers exclusive merchandise with fashion and quality comparable to mall specialty stores at low prices, everyday. As of August 2, 2003, The Cato Corporation operated 1,051 stores in 26 states, compared to 972 stores in 24 states as of August 3, 2002. Additional information on The Cato Corporation is available at [www.catocorp.com](http://www.catocorp.com).

*Statements in this press release not historical in nature are considered "forward-looking" within the meaning of The Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current expectations that are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those contemplated by the forward-looking statements. Such factors include, but are not limited to, the following: general economic conditions; competitive factors and pricing pressures; the*

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*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 Company is not responsible for any changes made to this press release by wire or Internet services.*

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**THE CATO CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**  
**FOR THE PERIODS ENDED AUGUST 2, 2003 AND AUGUST 3, 2002**  
(Dollars in thousands, except per share data)

	Quarter Ended				Six Months Ended			
	August 2, 2003	% Sales	August 3, 2002	% Sales	August 2, 2003	% Sales	August 3, 2002	% Sales
<b>REVENUES</b>								
Retail sales	\$ 188,218	100.0%	\$ 186,900	100.0%	\$ 385,522	100.0%	\$ 383,517	100.0%
Other income (principally finance, late fees and layaway charges)	3,775	2.0%	3,815	2.0%	7,681	1.9%	7,689	2.0%
Total revenues	<u>191,993</u>	<u>102.0%</u>	<u>190,715</u>	<u>102.0%</u>	<u>393,203</u>	<u>101.9%</u>	<u>391,206</u>	<u>102.0%</u>
<b>GROSS MARGIN (Memo)</b>	<b>55,602</b>	<b>29.5%</b>	<b>61,046</b>	<b>32.7%</b>	<b>125,908</b>	<b>32.6%</b>	<b>133,203</b>	<b>34.7%</b>
<b>COSTS AND EXPENSES, NET</b>								
Cost of goods sold	132,616	70.5%	125,854	67.3%	259,614	67.4%	250,314	65.3%
Selling, general and administrative	44,565	23.7%	44,061	23.6%	88,010	22.8%	89,444	23.3%
Depreciation	4,562	2.4%	3,254	1.7%	9,013	2.3%	6,362	1.6%
Interest and other income, net	(1,887)	-1.0%	(1,667)	-0.9%	(3,014)	-0.8%	(2,810)	-0.7%
Cost and expenses, net	<u>179,856</u>	<u>95.6%</u>	<u>171,502</u>	<u>91.7%</u>	<u>353,623</u>	<u>91.7%</u>	<u>343,310</u>	<u>89.5%</u>
Income Before Income Taxes	12,137	6.4%	19,213	10.3%	39,580	10.2%	47,896	12.5%
Income Tax Expense	4,406	2.3%	6,955	3.7%	14,368	3.7%	17,338	4.5%
Net Income	<u>\$ 7,731</u>	<u>4.1%</u>	<u>\$ 12,258</u>	<u>6.6%</u>	<u>\$ 25,212</u>	<u>6.5%</u>	<u>\$ 30,558</u>	<u>8.0%</u>
Basic Earnings Per Share	<u>\$ 0.30</u>		<u>\$ 0.48</u>		<u>\$ 0.99</u>		<u>\$ 1.20</u>	
<b>Basic Weighted Average Shares</b>	<b>25,478,008</b>		<b>25,516,138</b>		<b>25,458,696</b>		<b>25,397,580</b>	
Diluted Earnings Per Share	<u>\$ 0.30</u>		<u>\$ 0.47</u>		<u>\$ 0.98</u>		<u>\$ 1.18</u>	
<b>Diluted Weighted Average Shares</b>	<b>25,888,333</b>		<b>26,020,122</b>		<b>25,850,621</b>		<b>25,948,550</b>	

**THE CATO CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Dollars in thousands)

	August 2, 2003 (Unaudited)	August 3, 2002 (Unaudited)	February 1, 2003
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 59,836	\$ 73,517	\$ 32,065
Short-term investments	66,255	37,474	74,871
Accounts receivable — net	53,092	51,973	54,116
Merchandise inventories	79,998	86,372	93,457
Other current assets	7,181	5,858	6,382
Total Current Assets	<u>266,362</u>	<u>255,194</u>	<u>260,891</u>
Property and Equipment — net	113,131	107,666	113,307
Other Assets	9,617	9,128	9,212
<b>TOTAL</b>	<b><u>\$ 389,110</u></b>	<b><u>\$ 371,988</u></b>	<b><u>\$ 383,410</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Current Liabilities	\$ 88,014	\$ 100,086	\$ 98,282
Noncurrent Liabilities	15,010	13,520	14,964
Stockholders' Equity	286,086	258,382	270,164
<b>TOTAL</b>	<b><u>\$ 389,110</u></b>	<b><u>\$ 371,988</u></b>	<b><u>\$ 383,410</u></b>