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AMERICAN GREETINGS CORP

Form 11-K

June 26, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K
ANNUAL REPORT
PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One):

X ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF
----- 1934.

For the fiscal year ended December 31, 2002.

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
----- EXCHANGE ACT OF 1934.

For the transition period from _____ to _____

Commission file number: 0-1502

A. Full title of the plan and the address of the plan, if
different from that of the issuer name below:

AMERICAN GREETINGS RETIREMENT
PROFIT SHARING AND SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the
plan and the address of its principal executive office:

AMERICAN GREETINGS CORPORATION
ONE AMERICAN ROAD
CLEVELAND, OHIO 44144

REQUIRED INFORMATION

The following financial statements are being furnished for the American
Greetings Retirement Profit Sharing and Savings Plan (the "Plan"):

1. Audited statements of net assets available for benefits as of
December 31, 2002 and 2001.

2. Audited statements of changes in net assets available for
benefits for the years ended December 31, 2002 and 2001.

EXHIBITS

Exhibit No.

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Consent of Independent Auditors

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN GREETINGS RETIREMENT
PROFIT SHARING AND SAVINGS PLAN

June 26, 2003

By: /s/ Robert P. Ryder

Name: Robert P. Ryder
Title: Senior Vice President
and Chief Financial Officer

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AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

American Greetings Retirement Profit Sharing and Savings Plan
Years ended December 31, 2002 and 2001
with Report of Independent Auditors

American Greetings
Retirement Profit Sharing and Savings Plan

Audited Financial Statements
and Supplemental Schedule

Years ended December 31, 2002 and 2001

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Report of Independent Auditors

Administrative Committee of the American Greetings
Retirement Profit Sharing and Savings Plan
Cleveland, Ohio

We have audited the accompanying statements of net assets available for benefits of American Greetings Retirement Profit Sharing and Savings Plan as of December 31, 2002 and 2001, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan'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 net assets available for benefits of the Plan at December 31, 2002 and 2001, and the changes in its net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2002, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

Cleveland, Ohio
June 12, 2003

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American Greetings
Retirement Profit Sharing and Savings Plan

Statements of Net Assets Available for Benefits

DECEMBER 31	
2002	2001
-----	-----

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ASSETS

Investments, at fair value	\$574,746,751	\$719,178,153
Contribution receivables:		
Employer	18,533,026	9,424,207
Participants	1,320,755	1,382,845
	-----	-----
Total receivables	19,853,781	10,807,052
	-----	-----
Net assets available for benefits	\$594,600,532	\$729,985,205
	=====	=====

See notes to financial statements.

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American Greetings Retirement Profit Sharing and Savings Plan

Statements of Changes in Net Assets Available for Benefits

	YEARS ENDED DECEMBER 31	
	2002	2001
	-----	-----
ADDITIONS		
Investment income (loss):		
Net depreciation in fair value		
of investments	\$ (87,892,657)	\$ (57,497,294)
Interest and dividends	15,399,166	23,375,787
Dividends from American Greetings Corporation common stock	--	977,372
Contributions:		
Participants	16,964,373	18,588,460
Employer	18,533,026	9,424,207
Rollovers	490,342	443,478
Transfer from AmericanGreetings.com 401(k) Plan	4,730,145	--
Transfer from Gibson Greetings and CPS Corporation 401(k) Plans	--	40,005,445
	-----	-----
Total	(31,775,605)	35,317,455
DEDUCTIONS		
Benefits paid directly to participants	103,572,385	70,124,163
Administrative expenses	36,683	36,921
	-----	-----
Total	103,609,068	70,161,084
	-----	-----
Net decrease	(135,384,673)	(34,843,629)
Net assets available for benefits at beginning of year	729,985,205	764,828,834
	-----	-----

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Net assets available for benefits at end of year	\$ 594,600,532	\$ 729,985,205
	-----	-----

See notes to financial statements.

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American Greetings Retirement Profit Sharing and Savings Plan

Notes to Financial Statements

Years ended December 31, 2002 and 2001

1. DESCRIPTION OF PLAN

The following description of the American Greetings Retirement Profit Sharing and Savings Plan (the Plan) provides only general information. Participants should refer to the Plan Agreement for a more complete description of the Plan's provisions.

GENERAL

The Plan is a defined contribution plan covering substantially all full-time non-union employees and certain union employees of American Greetings Corporation (the Corporation) and its domestic subsidiaries. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

CONTRIBUTIONS

The Corporation annually contributes 8% of its consolidated domestic pretax profits (as defined), excluding dividends and gains and losses from capital assets and foreign currency transactions, to the Plan. A contribution of \$13,637,388 and \$0 was made in 2002 and 2001, respectively, based on the Corporation's pretax profits. Additional amounts may be contributed at the option of the Corporation's Board of Directors. The Corporation made a discretionary contribution of \$0 and \$4,365,108 in 2002 and 2001, respectively.

Additionally, participants may contribute 2% to 15% of pretax annual compensation (401(k) contributions), as defined in the Plan. The Corporation may restrict individual contributions below 15% in order to meet certain governmental limitations. The Corporation contributes 40% of the first 6% of pretax annual compensation that a participant contributes to the Plan, provided that the Corporation achieves certain predetermined financial goals. The Corporation's matching contribution was \$4,895,638 and \$5,059,099 in 2002 and 2001, respectively. All contributions are invested in accordance with the participants' investment elections.

Participants direct the investment of their accounts, together with their share of the Corporation's annual contributions, in increments of 1% to any of the investment options offered under the Plan.

American Greetings
Retirement Profit Sharing and Savings Plan

Notes to Financial Statements (continued)

1. DESCRIPTION OF THE PLAN (CONTINUED)

PARTICIPANT ACCOUNTS AND VESTING

Each participant's account is credited with the participant's 401(k) contributions and allocations of (a) the Corporation's profit sharing contribution and 401(k) match and (b) Plan earnings. Allocations are based on participant compensation, participant elections, or account balances, as defined. Individuals who have retired or terminated employment with the Corporation do not participate in the Corporation's future contributions to the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account. Participants are immediately vested in both their and the Corporation's contributions, plus actual earnings thereon.

PARTICIPANT LOANS

Participants may borrow against their elected deferred contributions or rollover contributions, a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their account balance. Loan terms range from six to sixty months, or a reasonable period of time as determined by the Administrative Committee, for loans used for the purchase of a participant's primary residence. The loans are secured by the balance in the participant's account and bear interest at a rate of prime plus one percent at the time of the loan origination. Principal and interest are paid ratably through monthly payroll deductions.

PAYMENT OF BENEFITS

At the time of a participant's retirement or termination of service, the participant may elect to receive a lump sum payment or to be paid in monthly, quarterly or annual installments.

PLAN TERMINATION

Although it has not expressed any intent to do so, the Corporation has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, the assets of the Plan will be distributed to the participants on the basis of individual account balances at the date of termination.

American Greetings
Retirement Profit Sharing and Savings Plan

Notes to Financial Statements (continued)

2. SUMMARY OF ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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The financial statements have been prepared on the accrual basis of accounting.

INVESTMENT VALUATION AND INCOME RECOGNITION

The Plan's investments are stated at fair value. The shares of registered investment companies are valued at quoted market prices which represent the net asset values of shares held by the Plan at year-end. The common stock of the Corporation is valued at the last reported sales price on the last business day of the plan year. The participant loans are valued at their outstanding balances, which approximate fair value.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

RECLASSIFICATION

Certain amounts in the 2001 financial statements have been reclassified to conform to the 2002 presentation.

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American Greetings Retirement Profit Sharing and Savings Plan

Notes to Financial Statements (continued)

3. INVESTMENTS

The Plan's investments are held by Vanguard Fiduciary Trust Company, Trustee of the Plan. The fair value of individual investments that represent 5% or more of the fair value of the Plan's net assets are as follows:

	DECEMBER 31	
	2002	2001
	-----	-----
Vanguard 500 Index Fund Investor Shares	\$ 99,487,077	\$146,014,997
Vanguard PRIMECAP Fund	131,925,675	203,764,732
Vanguard Wellington Fund Investor Shares	43,345,365	52,649,061
Vanguard Prime Money Market Fund	80,931,443	92,134,646
Vanguard Total Bond Market Index Fund		141,782,543
One Group Bond Fund; Class I Shares	140,593,940	

During the year ended December 31, 2002 and 2001, the Plan's investments (including investments purchased, sold, as well as held during the year) appreciated (depreciated) in fair value as determined by quoted market prices as

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follows:

	2002	2001
	-----	-----
Registered investment companies	\$ (92,278,533)	\$ (67,505,762)
Common/collective trust funds	--	48,498
Common stock of American Greetings Corporation	4,385,876	9,959,970
	-----	-----
Net depreciation in fair value of investments	\$ (87,892,657)	\$ (57,497,294)
	=====	=====

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American Greetings Retirement Profit Sharing and Savings Plan

Notes to Financial Statements (continued)

4. INCOME TAX STATUS

The Plan has received a determination letter from the Internal Revenue Service dated August 24, 1995, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Subsequent to this issuance of the determination letter, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan's Administrative Committee believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended, is qualified and the related trust is tax exempt.

5. TRANSACTIONS WITH PARTIES-IN-INTEREST

The Plan held 949,480 Class A shares and 900,000 Class B shares of American Greetings Corporation common stock at December 31, 2002 with a combined fair value of \$29,221,784 (1,270,887 and 900,000 shares, respectively, at December 31, 2001 with a combined fair value of \$29,914,823). Class B shares are not publicly traded. The Plan invests in shares of mutual funds managed by an affiliate of the Trustee. Accounting, legal and certain other administrative fees are paid by the Corporation. All other expenses of the Plan are paid by the Plan. Investment advisory fees for portfolio management of Vanguard Funds are paid directly from fund earnings.

6. TRANSFERS OF ASSETS FROM OTHER PLANS

Effective at the close of business on November 18, 2002, the AmericanGreetings.com 401(k) Plan was merged with the Plan and net assets of \$4,730,145, representing participant account balances as of that date, were transferred to the Plan. AmericanGreetings.com is a majority owned subsidiary of American Greetings.

On March 9, 2000, the Corporation acquired Gibson Greetings, Inc. Effective at the close of business on December 31, 2000, the Gibson Greetings, Inc. 401(k) Plan was merged with the Plan and net assets of approximately \$27.7 million representing participant account balances as of that date were transferred to

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the Plan on January 1, 2001. In addition, the Corporation acquired CPS Corporation on July 13, 2000. Effective at the close of business on December 31, 2000, the CPS Corporation of Delaware Personal Retirement Savings Plan and the CPS Corporation-Henderson Hourly Employee Savings Plan were merged with the Plan and net assets of approximately \$12.3 million representing participant account balances as of that date were transferred to the Plan on January 1, 2001.

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American Greetings Retirement Profit Sharing and Savings Plan

EIN: 34-0065325 Plan Number: 001

Schedule H, Line 4(i)--Schedule of Assets
(Held at End of Year)

December 31, 2002

IDENTITY OF ISSUE, BORROWER, LESSOR OR SIMILAR PARTY	DESCRIPTION OF INVESTMENT INCLUDING MATURITY DATE, RATE OF INTEREST, PAR OR MATURITY VALUE
---	---

VALUE OF INTEREST IN REGISTERED INVESTMENT COMPANIES

One Group Bond Fund; Class I Shares	12,631,980 shares
*Vanguard 500 Index Fund Investor Shares	1,225,965 shares
*Vanguard PRIMECAP Fund	3,412,459 shares
*Vanguard Wellington Fund Investor Shares	1,764,876 shares
*Vanguard Prime Money Market Fund	80,931,443 shares
*Vanguard Windsor II Investor Shares	983,171 shares
*Vanguard Wellesley Income Fund Investor Shares	789,605 shares
*Vanguard International Growth Fund	473,938 shares
*Vanguard Extended Market Index Fund Investor Shares	301,630 shares

Total value of interest in registered investment companies

EMPLOYER-RELATED INVESTMENTS

*American Greetings Corp. Class A Common Stock	949,480 shares
*American Greetings Corp. Class B Common Stock	900,000 shares

Total employer-related investments

*LOANS TO PARTICIPANTS

5.25% to 10.5%,
Various maturity dates

* Indicates party-in-interest to the Plan.

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